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Current Financial Opinion

Effect of War as Viewed by Business Leaders

Trying to Strike the Balance.

WILL our part of the general injury done by the European War, which all the world must suffer in common, be greater or less than the special advantages which accrue to us as the only great industrial nation remaining neutral? Shall we gain or lose on balance?

This is the question which must be intelligently answered before a sound opinion can be formed as to the future; and it must be admitted that the authorities, big and little, seem to be in very nearly as much confusion now as they were the day after the Stock Exchange closed.

A small minority predict an era of great prosperity. Another small minority see nothing ahead but gloom and depression. While a big majority either remain discreetly silent or fall back upon an expression which is now becoming hackneyed—that "conditions are unprecedented"—a safe but not especially helpful pronouncement.

Here are some of those who express cheerful views. It will be seen that they are men not usually given to hasty or ill-considered opinions:

Charles G. Dawes, president of the Central Trust Co., Chicago: Among the prosperity ingredients the war will give America are:

1—An international Clearing House system which will obviate the necessity of draining a nation's gold reserves in times of emergency.

2—American international banking will find its first practical foundation in South America.

3—Manufacturing concerns, started in supplying local demands because of inability to secure foreign products, will remain in business when war ceases, and may even invade foreign fields.

Conditions imposed by the present include: 1—Careful conservation of the world's food supply, and, 2—Encouragement of the peaceful nations to produce increased food supplies to bridge the gap caused by the war.

Daniel Guggenheim: We are in the presence of the greatest opportunity in the history of this country. For the first time the world's marts lie at our feet uncontested. Our great European competitors are hopelessly crippled for the time being, and it is up to us to reap the benefits.

Theodore P. Shonts: To this country this universal calamity offers an opportunity of centuries; but, to start off, we are without a merchant marine to take advantage of this opportunity. When I was connected with

A HARD PLAY

Will He Get It Out of the Depression with That Club?

—New York Evening Sun.

the Panama Canal Commission I could foresee the opportunities offered to shipping by the opening of that new waterway, and since then I have been strongly in favor of ship subsidies in this country.

J. S. Aisthorpe, president of the Illinois Bankers' Association: In the matter of emergency currency I am a conservative. My motto is abundant money for legitimate business, but no money for speculation. Utilizing the privileges of the Aldrich-Vreeland law may be highly beneficial or deeply dangerous—according to how they are utilized. Above all things, I wish to emphasize that I am an optimist, and was never more so than now, when America has the opportunity which rarely comes to a nation.

Hale Holden, president, Chicago, Burlington & Quincy: I do not feel that there is any reason for alarm about the present or the future conditions. We have great crops to be moved, and these are beginning to be exported. I have a great deal of faith that within the near future business will get back to normal and we will begin to enjoy the boom long expected in business lines generally.

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James A. Patten Gives Us No Encouragement.

OTHERS whose opinions are doubtless entitled to equal weight are unable to see how America can benefit from the greatest of all world disasters:

James A. Patten: It has been said that the war in Europe will benefit America. For the life of me I cannot see that, when the whole world is hard up. Our export trade is very seriously diminishing. If the war lasts for any length of time we may see a period of distress throughout the world, equal or worse than that which existed during the Napoleonic wars.

R. S. Lovett: Railroads in the West will enjoy good tonnage from the crops and their revenues are assured, but with the slowing down in mercantile lines and the falling off in passenger traffic this gain from crop tonnage is being offset. I fear this will continue to be the case for some time.

John Farson: At the present time it is absolutely impossible to even consider opening the Stock Exchange, and any one in touch with financial conditions both here and abroad at the present time can readily understand this situation. The way the Stock Exchange is handling the matter is helping the situation very much, and, if given time, this whole matter will clear up, especially when our shipments of goods abroad begin and go forward with a little more speed. The present situation is also going to force a large number of municipalities from living beyond their means. New York City is the best example of this. The present situation will create a demand for the better class of investments, especially municipal bonds.

Charles A. Conant: The issues of new securities annually, as estimated by the Belgian financial publication Le Moniteur des Interets Materiels, have averaged over a period of recent years about $4,000,000,000 per year. This amount is considerably greater than the estimate of such savings in earlier periods, when the modern machinery of production and exchange had not attained its present development. For the ten years ended with 1893 the annual average was estimated at about $1,250,000,000, and for the ten years ended with 1903, $2,596,000,000. That the average for the ten years ended with 1913 has risen above $4,000,000,000 is a striking tribute to the economic progress which the world has been making during a period of comparative peace.

It is possible that nearly the whole of this fund for the current year will be diverted from improving the productive plant of the world to the expenses of the present war. How much more saved capital can be thus diverted can only be guessed at. If the figures above suggested, $18,000,000,000 per year, are required for the expenses of the war, then private savings to the amount of another $4,000,000,000, which does not take the form of listed securities, would be taken up, and there would be still a deficiency of $10,000,000,000.

This means, in the first place, that during the war it will be extremely difficult to raise capital for any other purpose than to absorb the great masses of government obligations which will be thrown upon the security market and forced into the assets of the

banks. It means further that this condition will not end with a year of war, but will continue to absorb the bulk of the world's savings for several years after the war is over.

So far as possible, the governments now at war will undoubtedly undertake to impose the burden of its heavy costs upon posterity by the issue of long-term government obligations. In so doing they will serve the interests of investors, who will buy securities while they are cheap, under the stress of war, while labor for many years to come will bear the burden of increased rentals and prices for food and clothing which will result from the grinding taxation necessary to pay the interest on the war loans.

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How the Big Bankers View the Situation.

THE most interesting analysis of the situation that we have seen is that of the City Bank of New York. The September circular of that institution reviews very carefully the conditions that confront America in dealing with the crisis. The bank is, as every one knows, doing its part by the establishment of branches in South America to aid in developing our export trade to that region:

City Bank, New York: Over and beyond the obvious losses or gains of this trade or that, the economist sees the terrible waste of capital and lasting injuries inflicted upon some of the leading nations of the world. He knows that such losses must necessarily fall upon all nations, directly or indirectly. The investment fund of the world is a common fund; its growth means that mankind will be equipped with more effective means of production and distribution, and that the common supply of necessaries and comforts will steadily increase, while losses from that fund mean that this progress will be retarded. With savings diminished and enormous government loans competing for money, capital will cost more in every market and for every use.

These warring countries have supplied regularly, perhaps $1,500,000,000 per annum, of new capital for other countries. Now that they are engaged in this great struggle, where are these funds coming from next year and in the following years? If they are not forthcoming trade will not be very good in Canada, South America and other new countries for anybody. A good part of our own foreign trade in recent years has been due to this constructive work financed in Europe. Our exports to Canada have grown rapidly in consequence.

We will now have opportunity to take construction contracts provided we will finance the undertakings. In short, if these new countries are to go ahead in their development, and build works and buy equipment and employ labor as they have been doing, somebody must supply capital.

In England there is a large investing public, accustomed to buy securities representing properties all over the world. As yet we have no such body of investors in this country, and our banking houses cannot go far in the purchase of foreign securities unless there is a market to which such securities can be distributed. The conditions for creating such a market are unfavorable just now because our choice home securities can be bought very low. It is to be remembered that there remains in Europe a large stock of these which the owners, either to relieve their necessities or from patriotic desire to support their home governments, may want to sell as opportunity is afforded. So the question whether we are willing to step into the place of England, France and Germany in financing the progress of the outside world, is complicated by a further query as to the extent to which we are able to do this and buy back our own securities too.

It is to be considered also that this country has had constant recourse to foreign money markets to finance its own constructive work. If we are to go ahead with our own development at a rate necessary to keep our industries busy and labor employed, a large amount of capital will have

THE REAL DOVE OF PEACE

—Judge.

to be raised in this market by our railroads, municipalities and other corporations. Already numerous instances are reported of the suspension of undertakings to which foreign capital was pledged.

Enough has been said to suggest some of the limitations upon our ability to go out and pick up the trade that the warring nations have had. It remains to be said, however, that we are clearly under compulsion to make the most of the present opportunity to enlarge our trade in the markets which Europe is temporarily obliged to surrender. We need to make good our losses elsewhere, and there is an opportunity to obtain a permanent foothold in fields that offer great possibilities for the future. Even though the development of these countries be checked temporarily by failure to obtain capital for large constructive works, the current needs of their people must be supplied, and these will be paid for by their current exports.

Continental and Commercial National Bank, Chicago: The sudden transfer of so large an element of Europe's population from productive industries to pursuits of war, necessarily must curtail the creation of new wealth almost immeasurably. At the same time these millions of men and their dependents must be clothed and fed, thus decreasing the productive capacity of the world without decreasing the consuming power to any considerable extent. Add to this the wanton destruction of property and wealth and it is evident to the lay mind that the shortage of capital which has hampered the commerce and industry of all nations for several years necessarily must increase in a way that will check the world's progress and expansion for a period at least.

It is reasonable to suppose, however, that there will be less interference with developments in countries remote from the seat of war than in Europe. Our own country will continue to produce, probably at a moderately increased volume. At the moment the productive capacity here is considerably in excess of actual production, due to the slowing down process which has been forced upon commercial and industrial activities through the curtailment of available capital supplies in the last few years, but business generally has been pretty thoroughly liquidated and is in a fairly sound position, according to the opinions of leading business men as reflected in their replies to our inquiries, to take advantage of the unfortunate conditions in Europe.

National City Bank, Chicago: It is impossible to foretell the duration of present conditions in the security markets. At the moment, trading is limited to the immediate pressing requirements of the seller. Under these conditions buyers will naturally be cautious and will turn to bonds and other high grade securities. As time goes on, however, and as the first excitement of the war passes, individuals having idle funds for investment will undoubtedly come to the realization that many of our high-grade securities are intrinsically as sound as they ever were and will welcome the opportunity to acquire them on favorable terms.

In this connection, it is important for American investors to keep clearly in mind the fact that the intrinsic worth of American securities is not impaired and that the earning capacity behind them will not be seriously lessened in most cases. Present market conditions are obviously brought about solely by the volume of American securities held in Europe and the fear of further liquidation from that source is the one influence to prevent trading in normal volume on this side of the Atlantic.

People's National Bank of Pittsburgh: Whether the war be long or short, Europe will be temporarily short of the commodities she usually sends us in exchange for the commodities we send her. The one thing Europe does possess, however, which she may exchange for our commodities, is American securities. The ability of the United States to absorb a considerable amount of foreign-held securities is strengthened by the present situation; but it is not equal to the task of taking them at the rate they were dumped upon our market on the eve of hostilities.

American National Bank of San Francisco: When the difficulties have been removed from sea transportation, foreign exchange and war insurance, the whole country ought to feel the stimulus of a brisk trade with the warring countries, which need the things we have to sell, and with other countries which can no longer buy from their accustomed European sources. In the end, however, all trade, all commerce, and all manufactures, the world over, will suffer from the tremendous waste of capital and human energy now being turned into channels of destruction.

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The Bugbear of European Liquidation.

EUROPE'S holdings of American securities are estimated at about $6,500,000,000, of which probably $5,000,000,000 are in England. How many of these securities will now be sold back to us? That is a many-sided question. The amount of Steel common sold back to us so far has been small, says the *Wall Street Journal:*

The United States Steel Corporation is the largest corporation in the world, and more of its securities are held in Europe than any other corporation. Stories have been current for a year past to the effect that as a result of the poor showing since the latter part of 1913, deficits being reported in the first and second quarters of 1914, large consignments of European liquidated

Uncle Sam: "Run Along, Teddy, I'm Busy Now."
—*New York World.*

stock had been shipped to this country. Before the close of the Stock Exchange, when Europe was supposed to be dumping vast quantities of American stocks on this market reports were current that the Steel shares were being heavily sold from abroad.

On the contrary, the liquidation of European holdings of Steel appears to have been small.

Steel shares held by all foreign countries, with the loss in shares held between June 30 and Aug. 31, 1914, follow:

Foreign Holdings.

	Aug., 1914	June, 1914	Decrease	Dec. %
Common	1,235,927	1,274,247	38,320	3.00
Preferred	310,108	312,832	2,724	0.87
Totals	1,546,035	1,587,679	41,044	2.60

While it is true that there will be a heavy absorption of current foreign funds in war taxes and war securities, on the other hand the paralysis of business abroad will release funds previously employed. Call money in London is already reported as almost unlendable at 2 to 2½ per cent. The money thus released will not lie idle very long. Where will it find safer or more profitable employment than in American securities? The *Herald*, commenting on dispatches from London reporting a considerable inquiry there for American stocks, draws this conclusion:

While all the great countries of the Old World are being wasted by the most destructive war ever waged this country is at peace and is blessed with the most abundant harvests ever reaped.

Closely inter-related as the nations are today, we are adversely affected for a time by the derangement of trade. The outcome will be a stimulus to domestic manufactures and a great extension of our foreign markets.

The United States affords today the safest and most profitable field for investment, and when foreign capitalists obtain free command of their funds there should be a world-wide demand for good American securities.

The partial reopening of our bond market and the payment of the New York City notes held abroad, involving further exports of gold from this country, will without question have the effect of calling the attention of foreign investors to the solidity of American financial conditions at a time when almost all the rest of the world is shaky. As the *Boston Commercial* puts it:

The war will destroy and absorb such huge amounts of capital that the people of the whole world will suffer to some extent; but in the United States, with our immense resources, our big crops and established manufacturing capacity, the increased demand and better prices for our products unquestionably will enable us to reap benefits which will greatly overbalance in the end all the inconveniences, losses and suffering that we shall endure.

It is the almost unanimous opinion of the best students of economics and business that this war will so demoralize and disintegrate the industries of Europe as to make the United States three or four times the greatest industrial and commercial center in the world. If these students are correct, this country is on the threshold of the greatest period of prosperity it has ever experienced and one which will make many of its corporation securities worth more than they have ever sold for in the past.

It is now quite probable that the exchanges may have to remain closed for some weeks longer. Their opening may possibly be followed by a temporary wave of further liquidation. Conditions should soon be ripe, however, for the inauguration of one of the biggest bull markets of modern times.

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War-Proof Investments.

IN the meantime, there are some stocks that will benefit from the war by the removal of direct foreign competition, and there are other securities whose earnings are so stable and dependent upon conditions so far removed from war influences that there is no logical reason why their prices should be

affected. A leading investment house has made up a list of this character:

The situation holds out a good deal of hope. In another month foreign exchange should become nearly normal; money will be more easy; in fact, with such an increase in circulation, money rates should before long fall to a really low figure. The effect of this, of the resumption of industrial activity, of renewal of bond dealings, should make itself felt in the attitude of investors toward securities.

With international financial relations again normal, as they should be toward the close of the year, all signs point to steadily rising prices; to a great awakening of manufacture in nearly all lines; to increased railroad earnings; in short, to general expansion and inflation.

After the close of the war, when Europe again supplies her own needs, we shall face over-production and another readjustment and commercial depression, but that is a long way ahead and we need not cross that bridge as yet.

We submit the following list of securities, which appeal to us as particularly good investments at this time:

Convertible Bonds.	Price July 30	% Yield
Amer. Agri. Chem. 5s, 1928....	99	5.1
American Tel. & Tel. 4½s, 1933	94⅛	4.7
Atchison Railroad 4s, 1960.....	90½	4.4
St. Paul 4½s, 1932.............	94½	4.7
Norfolk & Western 4½s, 1938..	100⅛	4.4
Pond Creek 6s, 1923............	99	6.1
Ray Con. Copper 6s, 1921......	104	5.8
Southern Pacific 5s, 1934.......	96	5.2
Union Pacific 4s, 1927.........	86	4.7

Stocks.	Price July 30	Div. Rate	% Yield
American Beet Sugar pfd.	*75	$6	8.0
American Sugar pfd.....	†112	7	6.3
American Sugar	†108	7	6.5
Amer. Telephone & Tele.	114	8	7.0
Brooklyn Rapid Transit..	79½	6	7.5
Butte & Superior........	†29	3	10.3
Commonwealth Edison ..	127	8	6.3
Con. Gas of New York...	116	6	5.2
Edison Electric of Boston	238	12	5.1
Massachusetts Gas pfd...	89	4	4.5
People's Gas (Chicago)..	106	8	7.6
Twin City Rapid Transit	94⅞	6	6.3
Western Union Telegraph	54	4	7.4

*Asked price July 30.
†Approximate present market price.

De Medici, in the *U. S. Investor,* in addition to most of the stocks above mentioned, recommends also the following:

	Price July 30	Div. Rate	% Yield
Amer. Car & Fdy. pfd...	112	7	6.3
National Biscut	120	7	5.8
National Biscuit pfd.....	125	7	5.6
New England Tel & Tel.	130	$7	5.4
Pullman Co.	154	8	5.2
Sears, Roebuck pfd......	122	7	5.6

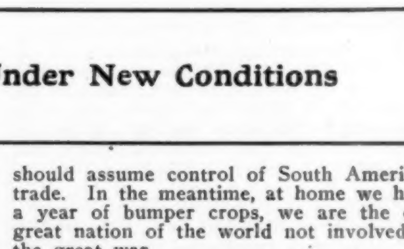
Business Prospects Under New Conditions

"No Excuse for Pessimism"—Pope.

SOME of our business leaders are almost impatient with the American people because of the hesitation and uncertainty that is apparent since the war began. To these far-seeing and experienced managers the suspension of trade in Europe presents itself as affording a wonderful opportunity for America, and they are anxious to see American business men reach out and grasp it promptly. Thus Col. George Pope, president of the National Association of Manufacturers, says in the *Times:*

We are confronted with the certainty of a tremendously enlarged and highly profitable European trade, Asiatic trade is beckoning to us, there is every logical reason why we should assume control of South American trade. In the meantime, at home we have a year of bumper crops, we are the one great nation of the world not involved in the great war.

For us to be pessimistic, for us to be ner-



THE POINT OF VIEW
—*Chicago News.*

vous and fearful of the future makes the nation seem to me like a man bursting into tears because he sees so much highly interesting and profitable work ahead of him.

The war itself will stimulate the exportation of our foodstuffs, for war came at the very moment when it must most seriously interrupt the European harvests, including Russia's great grain harvest.

And if it has taken the laborers from the European harvest fields, it also has taken the workers from the European mills.

There will be a vast deficit of those things necessary to human life and comfort in all parts of the world save in these United States, and it will be our duty and very much to our profit to supply this need.

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Prof. Fisher Sees a Boom in the Offing.

IRVING FISHER, the well-known economist, does not believe that the more or less artificial activity stimulated by the war will end immediately as soon as the war is over. His idea is that the world will necessarily be very busy for a time after the war in replacing what has been destroyed, even though this will have to be done for the most part on borrowed money. His analysis of the situation is in part as follows:

Since the necessities of Europe have forced her to buy our food in return for her investments, it is evident that during the war food prices will be high and security prices, especially bonds, will be low. These are the two facts of greatest economic significance to us. To the country as a whole they defer some of our pleasures till after the war. Uncle Sam will cut down for the present on his eating and drinking, his clothes, shelter and amusements in order to share his rations with Europe. Instead of the pleasures foregone he will invest—not in new enterprises at home, but in old ones—American and possibly European also—purchased of Europe. We can never have our cake and eat it, too. In this case we shall let Europe eat some of it on condition that she in turn shares hers with us after the war.

Important dislocations will be felt in the fields of shipping and banking. One consequence is that American enterprise has now the golden opportunity to capture a good share of each. The outbreak of the war and the simultaneous opening of the Panama Canal will tend to divert the course of trade from Europe to South America. Probably our merchant marine can be developed more successfully for this South American trade than it could for the European trade. New York can largely take the place of London as the world's exchange center for Pan-American trade. This opportunity is increased by the possibilities in the new banking act for the establishment of branch banks abroad.

THROW OUT THE LINE, UNCLE!
—*Baltimore American.*

With these opportunities and the rise of interest in Europe, the United States will change to a great degree from a debtor to a creditor nation.

We are too nearly self-supporting to be prostrated. Our foreign trade is and always has been a trifling matter compared with our internal commerce. .

After the war is over prices will probably not retreat, but will move upward even faster than before. There may then come the familiar "boom" period, which may culminate in a commercial crisis in a few years after the close of the war, as was true after the Crimean war, the American civil war, and the Franco-Prussian war. The rebound will probably be fastest in England. Statistical price curves of many nations usually show an upward turn when war begins and another when it ends. The war will thus aggravate a rise of prices already in prospect.

* * *

Our Loss and Profit from the War.

JOSEPH FRENCH JOHNSON, dean of the New York University, school of commerce and accounts, believes that American agriculture and the industries which depend largely on agriculture will be benefited as the result of the European war, but is of the opinion that many other industries will suffer. He gives the fol-

lowing summary of the principal items in the profit and loss account of the American people:

LOSS.

1—Tendency to drain gold from this country, which must be offset by accumulating reserves, restricting credits and avoiding inflation of currency.

2—Closure of European market to American securities and sale at low prices in this country, resulting in checking all permanent financing and stopping new projects and construction that has not been financed; probable permanent diversion from the United States and Canada of large amounts of European capital which would otherwise have come to us.

3—Cutting off certain raw materials (chiefly chemical) which are essential in some lines of manufacture; great reduction in European demand for raw materials, partly manufactured and manufactured goods, resulting in partial readjustments and in losses.

4—Increase in the cost of living.

PROFIT.

1—Opportunity to increase the prestige and banking connections of America in international financing.

2—Opportunity to enter South American and Oriental markets and secure a larger share of this trade.

3—Sale of foodstuffs and military supplies at high prices in European markets, resulting in prosperity for producers of these goods and for industries which cater to these producers.

The general expectation is that the war will be short, but there is no clear cut line of reasoning that leads to that conclusion. Assuming that the German Empire is well stocked with provisions and is able to raise its own food supplies for next year behind protected frontiers, and assuming that England and France are able to command the seas and bring in foodstuffs from abroad, the war may be indefinitely prolonged.

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Copper Production Reduced One-half.

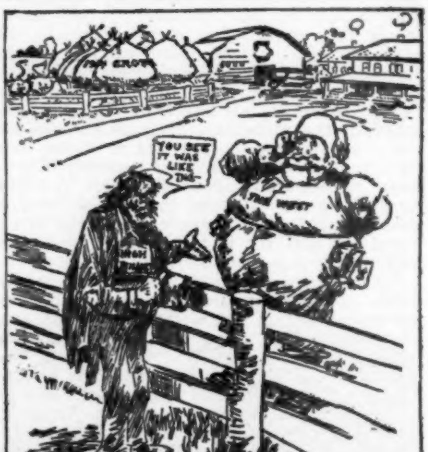
FROM a normal monthly output of 120,000,000 pounds of copper in the United States, Canada and Mexico, operations have now been reduced to perhaps 65,000,000 pounds. Europe is the principal consumer of our copper and her demand has now fallen off sharply, so that our exports are less than half the usual amount. Domestic consumption is also much lessened. Most of the big mines are on a fifty per cent. basis, some twenty-five, and one, Calumet & Hecla, is down to twenty per cent. of normal.

Since copper is so largely a material for new construction, its consumption will presumably remain below normal for some time to come. The steel situation is more hopeful. Operations at the mills have been reduced and at the moment the domestic demand is light, but prices are firm and there is some export inquiry. Chicago reports a million dollar order for machinery from England, Detroit a hundred motor trucks, and so on. Steel men expect higher prices before the end of this year. About 30,000 tons of rails have already been sold to South America and Africa. Automobile manufacturers are cheerful:

James L. O'Neill, credit manager of the Carnegie Steel Co., Pittsburgh: We are not discouraged and believe that the present uncertainty and hesitancy is but preparing our business world for a period of exceptional prosperity.

J. H. Gilbert, president of the Lozier Motor Co.: I am confident that the sales of high grade cars from August 1 to the first day of January, 1915, will be helped rather than hindered by the war in Europe. In my belief there is no occasion for uneasiness in the automobile business and particularly in the field of higher-priced cars. On the contrary, the outlook is very encouraging.

John N. Willys, of Toledo, president of the Willys-Overland Company: Notwithstanding the temporary destruction of some of the European markets our actual shipments for cash in July and August increased



HIGH FINANCE AT A LOW EBB
—Des Moines Register and Leader.

87 per cent. over the same months last year.
There is nothing to stop this country's quick advance to the foremost place in the world's industries unless it be the psychological element, the tendency in some quarters to halt just because Europe has halted. All nations are looking for us to assume the aggressive in trade. They will look to us more and more to supply their demands for most of the necessities and conveniences of life.

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A Wheat Famine Not Impossible.

THE world, and especially Europe, suffered from a short crop of wheat this year, and unless the war is ended much sooner than there seems any reason to expect, next year's crop will be still smaller. It was the realization of this important fact that sent wheat kiting to above $1.30 at Chicago, in the face of our big crop at home. It is to be borne in mind that most of Europe's crop is winter wheat and must be sown this fall:

Broomhall's Review, the leading English trade authority, points out that if the war lasts only twelve weeks longer it will so interfere with agriculture in Europe that next season's crops will be seriously curtailed. Such a development, it is predicted, can only spell famine in Europe in 1915 and prices for wheat in consequence that will make present quotations seem moderate and even low in comparison.

The London *Chronicle* quotes Lord Milner to the same effect:

Lord Milner points out that although the present harvest is abundant, an immense decrease in production in 1915 must result from the fact that all the able-bodied males of France, Germany, Austria and Russia are now engaged in fighting.

Of the 650,000,000 quarters of wheat and rye annually produced throughout the world 350,000,000 come from these countries, and the other producing countries cannot possibly make up the deficiency.

Lord Milner predicts that in the latter half of next year, if not before, all the nations which live on wheat and rye will be competing fiercely for a share in the diminished supply.

This year's wheat crop of the principal wheat producing countries was about 400,000,000 bushels, or over 10 per cent., less than last year's, in spite of an increase of something like 125,000,000 bushels in the United States.

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Cotton Must Be Carried Over.

UNDER normal conditions our exports of cotton out of the crop now maturing would be about 7,000,000 bales. It is expected that exports will be nearly cut in half as a result of the war. Probably we shall make more manufacturing use of cotton at home than heretofore, but even at that some 2,000,000 or 2,500,000 bales will doubtless have to be carried over. There is a movement on foot to get the public to help carry it by buying one bale each, an effort to combine patriotism and speculation which may or may not become important.

On the other hand, as J. J. Arnold, Manager Foreign Exchange Department of the Chicago Association of Commerce, said in a recent address:

There will be a demand for cotton goods in the United States, Canada, and the Orient, which cannot be supplied by Europe this year. I am of the opinion that as a result of this present condition, the spindles of the United States will be working day and night, giving labor to many of our people who otherwise would be idle. I believe, too, that this may become permanent. Trade in the countries where the European nations have been supreme is knocking at our door.

We do not need to go after it. It is coming after us.

The Great Gold Problem

New York City to the Rescue.

WHATEVER relief may come with the formation of the new Federal Reserve banks, it has again been demonstrated that under our present banking organization the actual and practical solution of the country's financial problems has to be worked out by the banks and trust companies of New York. At the beginning of September the city had nearly $80,000,000 of obliga-

AT PEACE
—*Los Angeles Times.*

tions coming due abroad, mostly in London, before January 1, next. This, at a time when bank reserves here already showed a deficit and with exchange close to $5, presented a most serious problem, which was solved by the New York banks without Federal aid. The effect on the foreign exchange situation will be of great help to the entire country; but to accomplish that result it was necessary for New York City to pay six per cent. for its money and for the New York banking institutions to release gold when their reserves were already below the legal requirements. The plan was as follows:

The plan contemplates that each bank and trust company in the city shall take its pro rata share of this $100,000,000 of new obligations.

Inasmuch as four-fifths of the entire amount has to be paid out abroad, the arrangement with the banks and trust companies provides that each shall stand prepared to supply 80 per cent. of its subscription to the new city issue in the shape of exchange, or in gold.

The bankers agree to sell the city the entire amount of the exchange needed at a stipulated price, but it is provided that should the exchange be obtained at a less rate than that named in the arrangement with the city the profit of the participants in the transaction are to be limited to 2 per cent. If more profit than that is realized the entire amount of the excess over 2 per cent. will be paid back to the city. If the exchange market is benefited to the extent that some bankers believe that it will be by this transaction it may be that the city will realize a profit out of this purchase of exchange. Morgan & Co., and Kuhn, Loeb & Co., except to the extent to which they may participate in the syndicate, are to receive no compensation for their services.

* * *

A $150,000,000 Gold Pool Is Suggested.

THE "Forgan Plan," on the other hand, contemplates the spreading of the demand for gold over the other cities of the country as well as New York. As suggested by James B. Forgan and four other leading bankers to the Treasury Department, it is:

That the banks of this country, especially those located in reserve and central reserve cities, be requested to contribute to a gold fund of $150,000,000, of which $25,000,000 is to be immediately paid into the depository of the Bank of England in Canada, for which a participation deposit receipt will be furnished to each contributing bank. The remainder of the contributed amounts to be subject to call by the New York committee through the local committees of the respective cities and to be paid for in New York exchange.

This committee recommends that the Federal Reserve Board take steps to ascertain the amount of gold that will be contributed by the banks in the respective cities, and that it use its influence to have the said banks contribute their proper pro rata.

This arrangement would, of course, require the assent of the Bank of England to make it effective. However, the latest news at this writing is that the Federal Reserve Board has postponed further discussion of this plan in the hope that it may be unnecessary, or at least that the amount of gold may be reduced, now that New York banks have arranged to handle the city's foreign indebtedness as above described.

In the meantime, some of the smaller banks are reported to be trigging the wheels by hoarding gold. The *Journal of Commerce* says:

The hoarding of money by banks, both in and out of New York, is understood to be regarded as something of a problem, and it is reported that among country banks enormous

reserves, ranging from 30 to 50 per cent. are now not uncommon. Within the past week or two some of the larger banks in this city have noticed that very heavy withdrawals were being made by country banks which had balances with them. The same phenomenon has been observed in Chicago. At the same time the presentation of national bank notes for redemption in lawful money has become a marked feature of the situation in some parts of the country.

* * *

The World's Gold Output.

MANY have held that the decreasing rate of gold production during the last few years probably marks a turn of the tide, and some are even predicting that our next trouble will be a scarcity of gold in comparison with growing requirements. The cost of getting gold out of the Rand mines is increasing. Also the rise in the general plane of commodity prices makes gold mining less profitable—the gold will buy less of other things after it is mined.

Byron W. Holt, however, holds a different view. In a recent address at Chautauqua, he said:

Notwithstanding that the yearly output of gold has not increased much during the last four years, and that it actually decreased last year, it is highly probable that the output will be much greater five, ten or twenty years hence than it is at present. By 1925 the output may reach $1,000,000,000 a year.

Gold production is no longer mainly, or evenly largely, a placer mining proposition. It is today a business and commercial proposition almost as much as is the mining of coal or iron ore or the production of corn or cotton. Because of improved and still rapidly improving metallurgical processes of extracting gold, making it profitable to work lower and lower grades of ores, and the practically inexhaustible supplies of such ores available, the output depends mainly upon the number and size of the mills employed in extracting gold. In the South African mines, where one-third of the output is now produced, the average profit on every dollar of gold produced was 43 cents, in 1909, and 34 cents, in 1913. Where such abnormally high profits prevail we may expect to see the output of gold increase rapidly. Labor troubles in the Rand mines have been responsible for the decrease of about 10 per cent. in these mines during the past year.

From the fact that prices declined from 1870 to 1895, during which time the world's monetary gold increased over 40 per cent., and from the further fact that prices advanced about 40 per cent. from 1895 to 1910, while the gold supply increased over 80 per cent., we may safely infer that "other things" have not always remained the same.

Both because of business expansion and of the general use of gold throughout the world, the quantity of goods for which gold is exchanged is increasing at an average rate of about 2½ per cent. a year. This being true, the world's stock of gold would have to increase 2½ per cent. a year to keep prices stable. As the average increase from 1870 to 1895 was only about 1¾ per cent. it is not surprising that prices declined 32 per cent. during this period. As the increase in the world's gold supply has averaged about 4½ per cent., since 1895, it is not surprising that prices have advanced about 40 per cent. since then.

It may be noted that the gold supply and prices do not always increase simultaneously. Apparently, the price advances follow several years after the gold increases.

The Government's Relief Measures

War Risk Insurance.

IT excites hardly any comment now that the Government should go into the insurance business, so widely have Government activities extended their scope in the last few years. In fact the field of insurance is one where the Government has special advantages, since it has practically unlimited capital and there can never be any question as to its solvency. European governments are far ahead of us in this direction.

The war risk insurance act is thus summarized by *Bradstreet's:*

The new law establishes in the Treasury Department a bureau of war risk insurance, the director and employees of which are to be appointed by the secretary. The bureau is charged with the duty of making provision for the insurance by the United States of American vessels, their freight and passage moneys and cargoes shipped or to be shipped therein, against loss or damage by the risks

THE VENTRILOQUIST

"Now, Boys, Tell the Business Men of the Country What You Intend to Do to Bring Back Prosperity."

—Leslie's Weekly.

of war whenever it shall appear to the Secretary that American vessels or shippers or importers in such vessels are unable to secure adequate war risk insurance on reasonable terms. With the approval of the Secretary the bureau is authorized to adopt and publish a form of war risk policy and to fix reasonable rates of premium for the insurance of American vessels, their freight and passage moneys and cargoes against war risks.

The President is authorized to suspend the operation of the act, in so far as it authorizes insurance by the United States against loss or damage by risk of war, whenever in his judgment the necessity for further war insurance by the government shall have ceased. Such suspension will be made in any event in two years from the passage of the act, but will not affect any insurance outstanding at the time or any claims pending adjustment, and for the final adjustment of any such outstanding insurance or claims, the bureau may at the discretion of the President be continued in existence for a further period not to exceed one year.

Asset Currency Based on Cotton.

SECRETARY McADOO has come to the rescue of the cotton situation with the offer to issue currency to the banks on warehouse receipts for cotton or tobacco at 75 per cent. of face value. This will be done through the currency associations already formed or to be formed by the national banks in the various sections. The plan will enable the banks to help carry our surplus cotton until fair prices can be obtained for it.

As a war measure, this is entirely justifiable. It cannot be denied, however, that there dangers inherent in the continued increase of asset currency. A firm hand at the throttle is needed to prevent the possibility of inflation. That the secretary is awake to these dangers is shown by his statement to the Cotton Conference:

I am not old enough to know what happened prior to the civil war, but I do know this from history—and we cannot ignore history—that before the national bank act was passed, every man to whom a circulating note was offered in payment for anything had to get the secret service, or a detective agency, or a commercial agency, or something of that sort in motion, to trace up that issue and ascertain whether or not it was worth anything; and if you are going back to the day of wild-cat issues of currency, you will destroy the whole financial fabric of this country.

The government has no money that it is going to hand out to anybody. The only money in the Treasury of the United States today is the gold fund, the surplus over and above its liabilities, amounting to about $130,000,000, and that is none too much to enable this government to carry on its business and to take reasonable measures of protection for the general interests of the country. But the issue of the currency that you are speaking of is currency issued to the national banks of this country upon live assets, and even that currency cannot be issued with safety unless those banks put behind it a fair measure of gold reserve; because, after all, in order to get a safe basis of credit and a safe basis for the conduct of the business of this country, you must have a metal base behind this currency proposed to be issued. Therefore the law imposes the duty upon the secretary of the treasury of requiring that a gold redemption fund, not less than 5 per cent. shall be put behind this identical currency, and when at any time it becomes necessary in his judgment to require an increase of that redemption fund, he shall exact it, and that is exactly what he is going to do. So long as he has power to deal with this situation, he intends to see that all these currency issues are safe, be-

cause you cannot bring upon this country a greater disaster than an inflation of the currency to a point that is going to wreck the whole fabric of credit.

* * *

Railroads Need War Relief.

THE railroads were badly enough off before, and the check administered to business by the war seems like the last straw. Cost of operation was already high, but it is now higher as a result of the sensational jump in prices. Interest rates have been high—they are now still higher. It has been difficult for the roads to sell securities—it is now still more difficult. The roads are in the unenviable position of being the only industry which is prohibited by law from raising the price of its product to correspond with the greater cost of production.

President Wilson is clearly impressed by the necessities of the roads, and their officers have been encouraged to renew their application to the Interstate Commerce Commission for higher rates, their argument being now greatly strengthened by the war:

American railroad securities, both bonds and notes, in default on August 1, 1914, amounted to $578,672,956, and from that date until December 31, 1915, there will be $563,156,800 of maturing railroad bonds and notes which must be paid or extended.

In their new application to the Commission for an increase of rates, the railroads will present some interesting statements. While taxes on property generally in the United States have increased 63 per cent. in the last twelve years, railroad taxation during that period has increased 161 per cent. At the same time the cost to the railroads of financing their requirements also has increased.

From 1901 to 1903 railroads could obtain capital at from 3½ to 4½ per cent. But this rate has steadily risen, within recent years to 5 and even 6 per cent., with a certainty that capital cannot be obtained in the future even on these terms. Following the present war in Europe, there will be a demand for capital never before equaled in the history of the world.

The war, it will be set forth, will also throw upon the people of this country the burden of financing future railroad requirements. The only way it can be met, it is asserted, is to make railway securities attractive to capital, and the only way to make them attractive to capital is to convince the investor that their net incomes will be sufficient to meet the requirements of their obligations, and that the American Government, instead of hampering the railroads and starving them, will support them, and so enable them to fulfill their obligations.

* * *

Commissioner Clark Sees the Light.

IN a recent interview, Interstate Commerce Commissioner E. E. Clark, who has been attending the Passenger Traffic Officers Convention at Boston, talks as though he had seen a new light since the outbreak of the war. While he naturally emphasizes the changes that have occurred since the commission passed on the Rate Case, the greater part of the argument for the roads antedates the war. He says:

The outlook for railroads successfully and satisfactorily to finance themselves and refund their maturing obligations has been very seriously complicated by the financial conditions resulting from the European war.

The Commerce Commission has no more desire than anybody else to see railroads crippled financially or otherwise. We realize the importance and necessity of well equipped, well maintained, and thoroughly efficient railroads, and we know that they cannot be constructed, maintained or operated without money.

If transportation costs more, and there are no unreasonable profits, it will necessarily have to be sold at a higher price.

OUR COLOSSUS OF ROADS

—Philadelphia Public Ledger.

Buy Small Bonds

Don't Deposit in Savings Banks

THE small bond business is now on a strictly retail basis. There is no longer any excuse for a wage earner to deposit his five or ten dollars a week in the savings bank and receive therefore interest credit at the rate of only three and one-half to four per cent. Nowadays he can pay as little as five dollars per bond on a one hundred dollar bond, and have a whole year to pay off the balance. Then with his bond safely tucked away in a safe deposit box, he will not only secure a larger rate of interest, but benefit by any increase in the market price of his security.

Some people seem to think that a small bond represents a poorer quality of goods. This is not the case. Any bond is a little piece of a big mortgage, and the little pieces are different from the big ones only insofar as their size is concerned.

When the savings bank gets your money it buys mortgages and bonds, the latter, as we have said, being parts of mortgages. Why not do the same and get the benefit? The savings bank buys, it is true, a large variety of bonds. This is because the savings bank has a lot of money to invest. By the same token, the more money you have, the more bonds you can buy. When you distribute your holdings you reduce the element of risk, just as all savings banks and insurance companies of whatsoever nature, distribute their risks as a matter of sound business policy and protection.

A savings bank has power in times like the present to shut off your withdrawals of cash, but if you have a bunch of bonds you can always go to your regular bank and borrow what money you need. In this way you retain the money making power of your investment. You are not obliged to make a sacrifice. It is good collateral and the bank with which you deal (not the savings bank) is always glad to accommodate its depositors. Suppose you are working on a salary and your wife has a small house account, she could easily borrow from her bank what money is needed.

When a time of high prices comes along, you can look over your collection of bonds and sell out those which show you a good profit. This adds to the percentage of interest realized on your investment. The proceeds can be set aside until the bond market recedes, as it does frequently, and it can then be invested in the same or other bonds at lower prices.

And when it comes to cashing in, you can do it so easily and readily. Your bank or your broker can dispose of your bonds for you. Just drop in at either place and tell them to sell at the best obtainable figure or at the definite price you wish to realize.

But one of the most important advantages of buying small bonds on the instalment plan, is that it binds you to a definite contract to pay so much per month at certain definite intervals. Authorities on the subject say that Hades is paved with good intentions. If so, there are undoubtedly many of the blocks marked "I meant to save."

We all intend to save, but we don't. It is much easier to spend the five dollars than to hold your hand on it till you get to the savings bank, so if you agree with a bond house that you will pay five down and the balance within a year, you are putting a stop order on your spending tendencies, providing for your future, as well as that of your family and your ancestors.

The hardest money I ever had to save was the first five dollars, but when that "V" was once landed in the savings bank, it was no trouble at all to put some little brothers alongside of it and before I knew it I had the price of one of these young bonds. It is the same in resolving to make your first payment on a bond. You may decide seventeen times that you are going to do it, but the only time that counts is when you plank down the five.

How Will the War Affect American Investment and Business Conditions?

Some Conclusions Which May Safely Be Drawn

By G. C. SELDEN

WHEN the student of American conditions found himself suddenly confronted with a war paralyzing all the important industrial nations of Europe, and involving a suspension of the established financial machinery of almost the entire world, his first sensation was naturally one of stupefaction. It seemed that anything might happen.

And it was very largely this feeling, in the minds of not only ordinary investors and business men but also international financiers and the managers of great enterprises, which resulted, for the moment, in bringing everything to a standstill except the most necessary of the usual trade activities.

This effect has been clearly shown by bank clearings. In June and July clearings had begun to show a gradual and encouraging increase; but this tendency was suddenly checked and the August clearings were nearly one-third less than those of July and the smallest for any month since June, 1908, when we were in the aftermath of the 1907 panic.

The world is now beginning to catch its breath; and it is in order for us seriously to put to ourselves the question,

WHAT NEXT?

The future always grows out of the present. Even war cannot change that axiom. The seeds of the economic and investment conditions of the next six or twelve months are already planted, if only we can discern the character of the prospective crop and note its progress from month to month.

Even the present super-Armageddon, suddenly as it burst upon a paralyzed world, was not without certain advance warnings if we had been able to read them rightly—notably in the obstinate refusal of the stock and bond markets to advance during the first six months of 1914, in spite of conditions which seemed to favor a rise; and in the ominous piling up of gold by Germany, France and Russia. Every one understood that this hoarding of gold was a part of war preparations and that the stock market was adversely affected by it. But Europe had been preparing against war for so long that we failed to give due weight to the increased and almost feverish urgency of its preparations this year.

Since the future must grow out of the present, what is the present? Where do we find ourselves now that the bomb has burst and we have had time to gather our scattered wits together?

To answer this question intelligently we must turn to those broad indices of financial and business conditions to which we so often have occasion to refer—the condition of the banks, the average of stock prices, foreign bank rates and our own commercial paper rate, the average of commodity prices, the production and price of pig iron, etc. The only way to study these factors in a comprehensive manner is to spread out the figures in the form of diagrams covering a series of years, and four such graphics are accordingly presented herewith.

THE SITUATION BEFORE THE WAR.

In the second quarter of 1914 we found ourselves confronted by a familiar set of conditions which have again and again preceded advancing prices for stocks and an expansion of general trade. These were as follows:

(1) A very large excess of deposits over loans in New York banks and liberal reserves, accompanied by an easy call money market, showing an accumulation of liquid capital.

(2)Our commercial paper rate down to four per cent. and foreign bank rates

normal, showing that money was easily available for commercial purposes.

(3) The level of commodity prices stationary, after a decline a little greater than that of 1910-1911 but not quite so great as that of 1907-1908, and covering about the same period of time as each of those declines.

(4) Production of iron near the minimum, after having increased sharply in March and then reacted—a close repetition of the conditions preceding trade expansion in 1904, 1908, and 1911. A similar movement in unfilled orders of the U. S. Steel Corporation.

(5) A very low price for pig iron, after nearly a year of comparative inactivity.

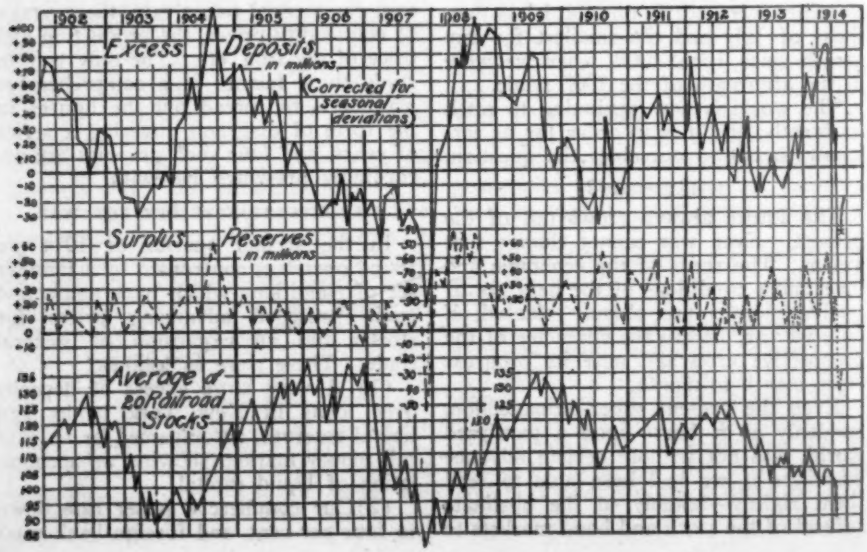
(6) The ratio of commodity prices to iron production, which often sheds light on trade conditions, was normal, though without special feature.

All of the above conditions were what might naturally be expected if the "minor cycle" was to repeat itself in its customary way, with only the usual comparatively unimportant variations. There was, however, one condition which was not exactly what would naturally have been expected. The stock market was unduly sluggish. Its advance in January had not been as buoyant as would have corresponded with other conditions and its dullness and depression thereafter was rather surprising. Bonds, also, did not respond in a natural manner to a money market which carried commercial paper slightly below a four per cent. basis.

This unresponsiveness of investment markets was generally believed to be due to "politics," in its various phases. Doubtless the adoption of new policies in America was not without its influence, but we can see clearly enough now that gradual European liquidation and a vague fear of the future among foreign investors were the principal causes. In fact, we all saw that liquidation at the time in slow and fitful progress, but we failed to understand its full significance.

WHERE ARE WE NOW?

To answer that question let us take up in order the great underlying factors shown on the accompanying graphics. On the first diagram (quite familiar to many of our readers) we have, first, the excess of deposits over loans of New York banks, not including the trust companies, shown in millions of dollars and corrected to eliminate the merely seasonal deviations. In June and July preceding the outbreak of the war occurred the biggest and sharpest drop in excess deposits ever witnessed. It was due entirely to foreign absorption of gold and foreign sales of our stocks. It had no



causes whatever on this side of the Atlantic.

The decline in surplus reserves and the final drop in stocks, shown on the same graphic, are of course accounted for in the same way.

Banking conditions in the second quarter of 1914 were strikingly similar to the corresponding periods of 1904 and 1908; but this promising beginning was absolutely squelched in two months by the outbreak of the war, and a condition brought about much resembling that of 1907.

Now every such banking cataclysm in the history of this country has been followed by the gradual restoration of normal conditions. This has occurred simply because it must occur. Normal banking conditions are necessary before the business of the country can go on its accustomed channels, and therefore all efforts are bent toward their restoration. And this restoration has always been accompanied by a rally in stocks.

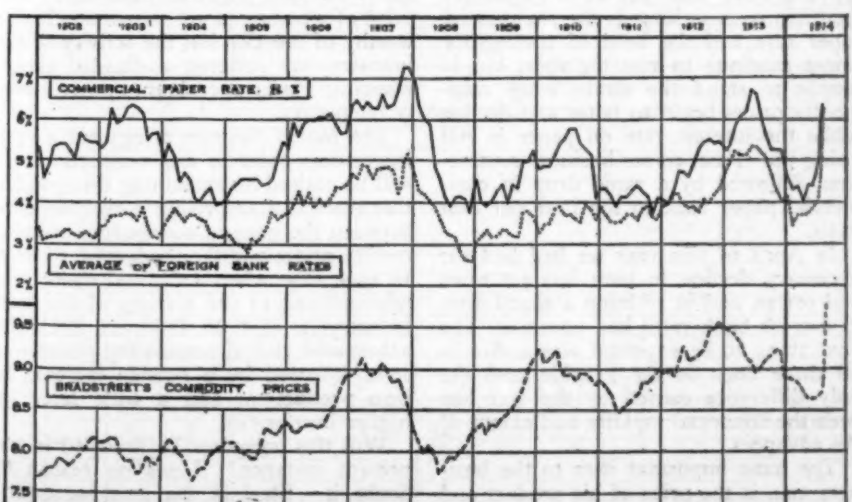
Some progress has already been made toward the normal. It is, however, difficult to show this progress by the line of excess deposits as in previous years because of the issue of emergency currency. This currency has the indirect effect of relieving the banks from the necessity of contracting their loans. This may come about in two ways:

First, emergency currency may be shipped by New York banks to interior banks which demand money. New York banks could not send cash or legal tender without depleting their reserves and thus making it necessary to reduce their deposit accounts by calling loans. They are now sending emergency currency and interior banks are thus enabled to loan more freely. State banks can even count the emergency currency in their reserves.

Second, emergency currency may be paid out directly to New York customers needing cash.

Without going into unnecessary details, the final result of the emergency currency has been to increase loans (or what amounts to the same thing in this connection, to prevent a decrease) without a corresponding increase in deposits, and the relation between the two items is therefore changed. As a rough approximation I have deducted the emergency currency from the loans, in order to get something approaching a fair representation of present conditions. On this basis the month of September is showing some improvement, as indicated on the diagram. The deficit in surplus reserves is also less than it was a few weeks ago.

The real solution of our banking complications, however, must come with the restoration of our normal trade balance with Europe through continued excess of exports. There can be no doubt that this is only a question of time. During



the war our imports from Europe will be very small, while Europe must have liberal supplies from us. The inevitable result must be that exchange will, in time, turn in our favor and we shall probably be able to get back from Europe a part of the gold we have lost to her. Further heavy sales of our securities by foreign holders might delay this result, and that is the basic economic reason for keeping our stock market closed until the foreign exchange situation can be straightened out.

So far as the bank position is concerned, then, we have passed through a condition strikingly similar to 1907, but forced on us from without instead of being the result of internal excesses as in that year; and we are now slowly moving toward the normal again, in the face of puzzling complications.

STARTLING RISE OF PRICES.

Coming to the second diagram, showing our commercial paper rate, the average of the three most important foreign bank rates, and the level of American commodity prices, we see the most startling rise in all three that has occurred since Civil War times. (On this graphic both commercial paper and foreign bank rates are adjusted to eliminate seasonal deviations.)

A brief inspection will show that each "minor cycle" starts with commercial paper around four per cent. Business then improves so long as the commercial paper rate and the level of commodity prices continue to rise together, but is unable to stand the strain when commodity prices begin to falter and decline while the interest rate on paper is still going up. Next comes business contraction, followed by a rapid drop in commercial paper back to the four per cent basis.

In April of this year we had had the necessary decline in both interest rates and prices, and in addition a sharp drop in foreign bank rates had occurred. The next thing to be expected was a rise in all three lines on the graphic, and the only difference caused by the war has been the abnormal rapidity and extent of the advances.

The most important item to the business man is the price of his product and of his materials and supplies. While the general plane of prices is rising, he gets a speculative profit on all his sales, in addition to his regular business profit—because, of course, he buys his materials earlier than he sells his product; also because the total cost of material and supplies is always less than the total selling price of the product.

Hence the rapid rise of prices will, if it is maintained, more than overbalance the higher interest rate at which he must borrow, and will give him larger profits. Moreover, the interest rate of commercial paper is likely to relax somewhat as the position of the banks improves, while there is no likelihood of a decline in the level of prices until the war is over.

It is understood, of course, that these profits will not be evenly distributed. Also that a period of adjustment will be necessary in many cases before the business man can take advantage of the special opportunities afforded by war prices.

IRON AS A BUSINESS BAROMETER.

The third graphic shows that our production of pig iron, unfilled orders of the Steel Corporation, per cent of orders to production, and the price of iron were all, just before the outbreak of the war, in substantially the same position as in 1904, 1908 and 1911. Our iron industry being almost entirely a domestic proposition, the effect of the war on it has been relatively slight and indirect. The price of iron has as yet shown no change worthy of mention but the activity of the industry has suffered a decided check, which is, I believe, certain to prove merely temporary.

The fourth diagram brings out a very interesting point in this connection. It will be noticed on examining this graphic that there is a surprising correspondence between the general movements of commodity prices and the production of iron. In each case when a decided check was administered to the activity of the iron industry, as in 1904, 1908 and 1911, the subsequent rise of commodity prices was soon followed by a notable increase in iron production, and a little later by higher iron prices.

Will this precedent be followed in the present instance? I see no reason to doubt it. Steel is the most necessary

material for warfare; but the steel business of Europe is almost prostrated. Already we read that the Germans are endeavoring to start an important steel works in Belgium by offering the Belgium operatives a fifty per cent advance in wages. If the war continues, as apparently it must for some time to come, England, France and Russia are likely to call upon us for a variety of iron and steel manufactures, and Germany if she can find a way to get them across the ocean, which may perhaps be done by way of Holland.

Moreover, the demands from all neutral nations, formerly satisfied by the countries now at war, will converge upon the United States, the only remaining great steel manufacturing nation of the world. If in addition general business throughout this country is stimulated by the war demand for varied products, our domestic requirements for iron and steel manufactures will be greatly enlarged.

Owing to the peculiar nature of the present rise in prices, iron production will not follow as closely as in the past, but a gradual increase in production seems to me a reasonable certainty.

THE BROAD OUTLOOK.

What, then, is the broad outlook at present writing? At a point in the "minor cycle" where rising prices for securities and commodities and expanding general business were naturally to be expected, the following conditions have supervened:

(1) Our bank position has been disrupted by sacrifice sales of securities by foreign holders, resulting in unprecedented gold exports.

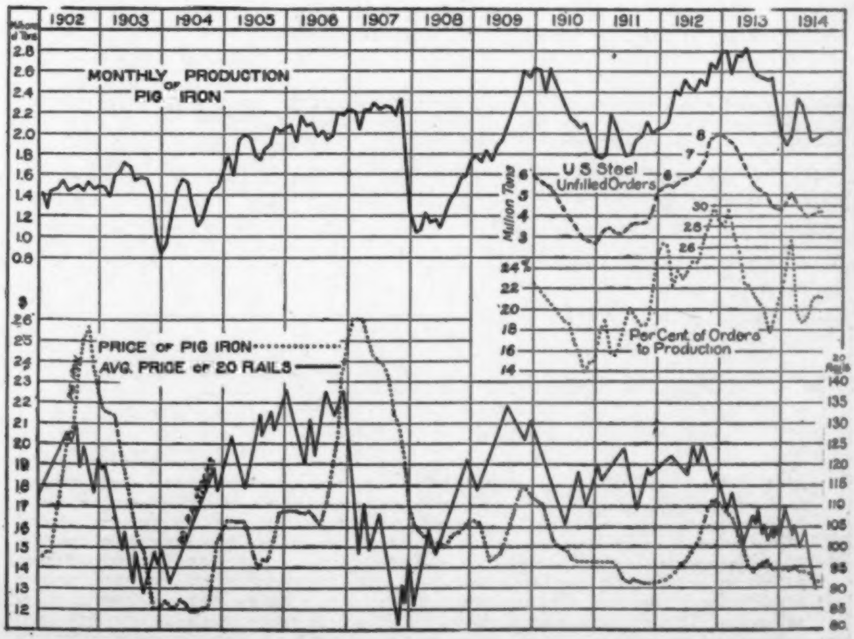
(2) Stock prices have been forced down by these same sacrifice sales.

(3) Money rates have suddenly become high as a result of the peculiar bank position.

(4) Commodity prices have risen with a violent bound, instead of gradually, as would have been natural.

We may say without hesitation that our bank position will right itself and that money rates are likely to become somewhat easier, though not low, in the early future. We may safely add that commodity prices will remain high during the continuance of the war.

The feature that we know least about is to what extent sacrifice sales of our stocks will continue; but at any rate we



know this, that our stocks will be the best securities in the world to hold under war conditions.

We shall have growing business activity while the war lasts because we are the only great industrial nation not involved. We must first supply our own people with substitutes for the goods formerly imported; next, furnish other neutral countries, so far as possible, with goods previously obtained from Europe; and third, provide for the necessities of the warring nations when they are unable, in the crippled condition of their home industries, to provide for themselves.

As soon as Europe's sacrifice sales are absorbed, many of our stocks will sell at higher prices because of the increased earning power of the industries which they represent.

VALUE OF THESE CONCLUSIONS.

There are many, of course, who will doubt the value of any conclusions drawn, as these are in part, from a study of the past. The best evidence of their value is the substantial fulfillment of previous conclusions drawn in a similar manner during the past year and now on record in previous issues of this magazine:

June 1, 1913—"Loans and deposits . . . do not indicate a bull market, but neither do they give any serious warning of further decline."

July 1, 1913—"Not . . . a sufficient accumulation of capital to finance a bull market."

Aug. 1, 1913—"I do not believe that any important advance in stocks can be long maintained, nor that liquidation of general business has yet run its course."

Sept. 1, 1913—"A moderate advance may result from any one of several causes, but no bull market is yet in sight."

Oct. 1, 1913—"A business depression next year seems to be practically unavoidable. . . . The present advance in stocks is temporary."

Nov. 1, 1913—"The investor should now stand ready on declines to pick up some of the best issues, on which earnings show a liberal excess over dividend requirements, with the idea of laying them away and forgetting about them until prices are considerably higher."

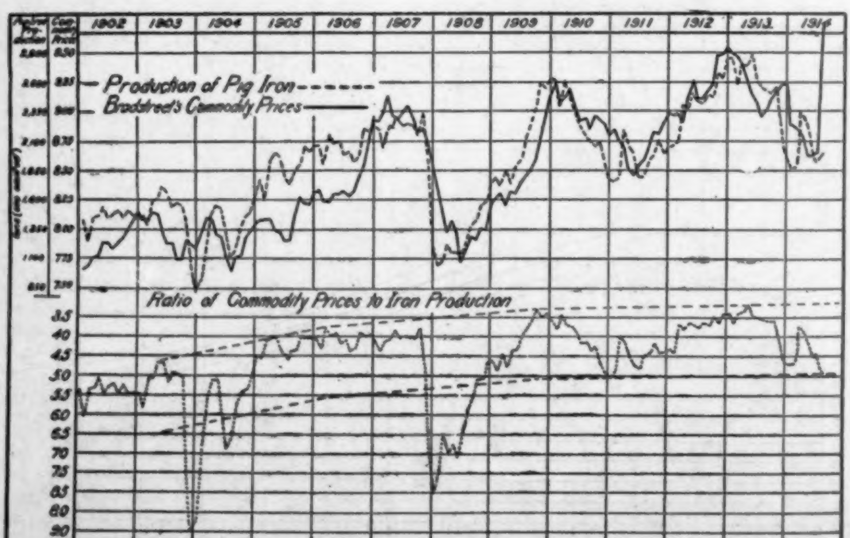
Dec. 1, 1913—"The conservative business man should . . . proceed at 'caution' until he sees commercial paper down to four per cent. again."

Jan. 1, 1914—"The best stocks, which show good earnings and have no special or peculiar difficulties ahead of them, may safely be picked up on declines."

Feb. 1, 1914—"About six months of shrinkage in general business is the natural thing to expect, followed by renewed expansion."

March 1, 1914—"The markets are not ready for any steady or continued advance. The investor should still take special care that he does not become involved in any doubtful issues."

April 1, 1914—"Natural outcome will be



a period of dullness, slowly developing into improving trade . . . We are pretty certain to ship out more gold this year."

May 1, 1914—"The general plane of commodity prices is nearing its low level. The first good upward movement should be carefully noted, as it will be followed by improved business conditions."

June 1, 1914—"We are in the 'hollow' which has always preceded a movement of expansion, accompanied by a rising stock market. Nevertheless we may say that at this time it is useless to expect any rapid recovery from the world-wide business depression now existing."

July 1, 1914—"Nearly all conditions favor the assumption that the present summer will mark the low level of business activity."

Comment and Suggestion

By FRANKLIN ESCHER

Unwarranted Alarm

IF you had bonds on your hands that you considered good but that showed you a loss what would you do about it?—that question is being often asked these days.

Forget about them—that's the only answer.

Something has happened so strange, so unreasonable, so impossible to foresee, that the only possible line of action is to bend to the storm and pray for it to blow over. If the price of securities has suffered, if bonds which you know absolutely to be safe and sound have become unsalable except at a ruinous sacrifice, obviously the thing to do is to keep your nerve, hold on, and wait for a change in conditions.

Sooner or later and whatever the outcome of the European war, that is bound to come. A good bond is a good bond however disturbed financial conditions may happen to be, and however little demand for it may at the moment happen to exist. The railroads of the United States, the companies which furnish heat and light and power and street railway transportation—these are not going out of business because of the war in Europe. For the time being, it is true, their earnings may be curtailed, but that is a condition purely temporary. In the long run there is only one thing that can happen and that is that good bonds of good companies will be again recognized as mighty good things to hold and will be paid for accordingly.

Why, then, because just at the moment things are disturbed and bidders for bonds are few, sacrifice one's holdings and accept prices not at all reflective of what the security is worth but simply of the disturbed state of public sentiment?

* * *

A Herring Across the Trail

WHAT is responsible for current industrial conditions in the United States?

That question asked to-day brings a very different answer than it brought only a few weeks ago. The policy of the Wilson Administration—the tariff, the war on big business, the anti-trust legislation—are these the things responsible? Nobody had any doubt that they were up to within a little while ago. But nowadays you never hear them advanced as the reason why business is bad.

People, as a matter of fact, seem entirely to have forgotten that we have a new tariff, that the Government is at the present moment trying to break up the Steel Corporation, that Congress is passing new business legislation. If the average man reads in his paper about these things at all it is purely in a perfunctory way and with no real interest. Just one thing counts and that is the war. To that, and naturally enough, attention is being given to the exclusion of everything else.

In our opinion the war abroad has immensely improved the chances of a continuance of the Democratic Adminis-

tration for another term. "It's all the fault of the Government's mixing into the business affairs of the country,"—that was all one ever heard back in the beginning of the summer. People don't talk that way now. "Business? Oh! Yes. Of course it's bad; what can you expect with this thing going on in Europe?" That's the way it looks to the average man to-day. He has completely forgotten that before the murders in Servia which precipitated the trouble, business in this country was on a most unsatisfactory basis and that he himself was the first one to ascribe the cause of the disturbance to the Administration at Washington.

Lucky for the Administration, whether or not it is responsible. Rightly or wrongly a whole lot of voters had come to believe that it was.

* * *

A Time to Play Safe

ARE you considering selling not because the price of what you hold is down but because a more attractive opportunity for using the money seems to present itself? That, of course, is different. But how infinitely careful in making new commitments at such a time as this it is necessary to be! What you hold you bought, presumably, only after the most careful investigation and after you had satisfied yourself that it was absoluely all right. To the new security that you are thinking of changing into, have you given the same painstaking consideration? Or is it a case of snap judgment, of the idea that this or that stock or bond is likely to be benefited by the war and that you think you may be able to make a killing in it?

Money is going to be made by wise re-investment at the present time to take advantage of conditions. But it isn't going to be made by a hasty sacrificing of sound securities and a hit-or-miss jump into something else that looks as though it might go up faster. Where real opportunities exist they ought most decidedly be taken advantage of. But very careful does the investor want to be—and this is particularly true of the man with but a small amount of money—that he isn't simply allowing himself to be carried out of a legitimate investment in order to get himself involved in a speculation.

These are times to play safe.

Couldn't Do It So Easily Nowadays

IN this period of speculative listlessness and deadly inertia oldtimers in Wall Street sigh for the warrior leaders of a quarter of a century ago.

Along in the middle 80's after the West Shore deal there was an orgy of speculation running up to the panic of Dec. 15, 1886. There came during this time to Wall Street what was known as the "Chicago crowd." Led by Philip D. Armour, Norman Ream, Nelson Morris and others, they bought seats in the Stock Exchange and began to play their chips with both hands. But they had no caution, they went to spectacular extremes, and finally money began to tighten on them.

Gould was quick to see this and he sent for Russell Sage and the big "grizzly" Cammack. Then they laid the plan for smashing the market. The morning following their conference Gould sent for his favorite broker, John G. Moore. "Mr. Moore," he said, in the low, slow, deliberate manner that was always a marvel, "about delivery hour tomorrow please break Western Union 15 to 20 points." "Yes, Mr. Gould," stammered his astonished broker, "but how much shall I sell?" "It makes no difference," answered Gould, in the same low monotone, "just break it."—*Odd Lot Review.*

BOND DEPARTMENT

The Investment Viewpoint in Buying Bonds

How it Differs From Other Considerations that are Often Emphasized

By FREDERICK LOWNHAUPT

NOTHING could be more incongruous than to begin an article on bonds by telling purchasers of bonds that they should buy with an eye to the investment aspect of securities. It is generally understood and by many people believed implicitly that the word bond and anything connected with it means nothing else but investment.

They make a great mistake, that is, if they understand by investment that putting away of your money into a place where you are sure to find it again and in the meantime get exactly and always the amount of interest expected.

My own conception of the investment viewpoint in buying bonds is the buying of them for a certain amount of income that is conservative and for that reason only. All of which means that they will be good bonds and such bonds as meet the critical analysis through which a high class security comes unscathed.

How is one to secure this kind of a bond? The only answer is: By a very careful scrutiny of the many elements which go to make up an investment security.

You can, of course, rely on your banker absolutely, but he must go through the same proceeding if he is to give you a security that meets the requirements of a sound and safe investment.

We are at a time in the investments markets when a discussion of this question is most timely. When the markets open again and security trading goes on unhindered, the question will come up immediately as to which are the best bonds to buy. It will have to be answered from two points of view: (1) Which are best to buy for appreciation in price? and (2) Which are the best from an investment point of view. That is, likely to pay interest regularly and until they mature.

Let us discuss the investment point of view, which the proper one for the average investor. Upon what does this hinge? It hinges upon a look into the future—about a five year forecast. By that time you will have indications of some kind to show what is going to happen for another five years.

This long range point of view differs from that often taken by investors, or even by bankers. The tendency of many of these people is to look at the condition of the company at the moment. That is, to give the credit position of the company an undue amount of emphasis. Now of course this is important, but it does not lead inevitably to the conclusions that might be arrived at if some stricter attention were paid to other things.

To illustrate this point, let us say: Here is a railroad company that has been paying dividends for so many years and has always had a good margin of net earnings over its fixed charges. Taken by themselves these things would indicate that it is in a good position and that

its credit rating, undoubtedly high at the moment, is deserved. Upon these two considerations you could easily buy its bonds and believe that you had an excellent investment that would stand the test of examination and time.

This is not theory but thoroughly practical. Mentioning cases we have the New Haven, Rock Island, Denver, Missouri Pacific and others.

When we begin to dig into the figures of traffic, maintenance, money put into the property from earnings and from new capital, relations of the amounts spent out for dividends and for improvements and a few other things, a new picture begins to appear.

Buying bonds on the dividend showing and even on the so-called margin of safety, which phrase is generally used in the sense of the money left over after paying charges (as it can be seen), is all right if the bonds are not to be put away into some estate, or laid away as an investment for many years. But buying bonds with these things showing well and besides—here is the meat of it all—these other questions being met satisfactorily, is buying from the rock bottom investment basis.

The mention of those roads is sufficient to show any investor just what is meant.

The credit position of a road is for all practical purposes the average yield on its representative bonds. The investment position of a road is the trend of its vital factors. The former is due to a combination of statistics and market questions. The latter is the working out of its operating efficiency; viz., its management.

Credit position may and does change quickly if the other things are not right. A good perspective of these other things gives the discerning investor a long range vision of what is to come. This can be had of all the railroads of the country. There are ample statistics for the purpose. Get that and you will not buy bonds now at 95 and find them at 30 two years hence as happened to one issue not a great while ago.

Hints for Investors

DO not let one predominating feature of a security over-balance the several others. Frequently one aspect shows up so plainly that the security looks stronger than it really is. There should be a good average of all features to make it most desirable.

REMEMBER that there are some very excellent bonds on some very poor railroads. Because the railroad is not exactly in the first rank it does not mean that it has no good investments among its securities. The whole question hinges on how much of a margin of earnings there is available after the interest on any particular issue is paid. This means that a bond having a strong prior lien on the net earnings is likely to be a good investment regardless of how the last or junior bonds are placed.

"BUYING securities for a turn or a short hold in which you hope to sell out with a profit" means that you should give large consideration to market questions. "Buying for a long time investment" means that you should study the fundamental questions affecting the company to a large extent, thus making the market aspect completely secondary.

YOU can invest, speculate or gamble in bonds as well as in stocks. Because the paper happens to be a bond it does not follow that it is an investment. The kind of a bond you buy and the way you buy it determines which of the three methods are being pursued.

Bond Market Topics

New Financing.

IT was natural that the terribly disturbed condition of affairs all over the world and particularly in the financial marts would have its reflex action in the output of new securities.

This is what it did in the month of August. During that month, according to one compilation, something around $12,000,000 new securities were floated, whereas in the same month last year three and a half times that amount went out. At that August, 1913, was the low record month for that year.

What does this mean for the future? Bond men and investment houses are anxious to know, because it is certain that the vacuum cannot exist very long. If happily the war be concluded in the early autumn, possibly two or three weeks will be consumed in getting the machinery working again. There will be many millions of investment capital all over the country ready for the word "go."

Bond men expect to develop a good business once the bars are let down. The chain of events will probably lead to the placing of much capital for investment in this country. This means that the held up financing plus the new financing which must come out before long will bring a big business to the security markets, if not in the purchase of new securities, at least in turning over of old issues from one holder to another.

Effect of War on the Bond Market.

TWO theories have been advanced in the bond business as to the effect on prices. While the houses are doing little or no business, largely because they have agreed not to go out after it, it is highly possible that were they to send out their salesmen under present conditions they would stir up no great amount of buying orders.

The *Wall Street Journal* says:

> There are many people who believe outstanding fixed interest bearing securities must suffer in price because of the increased competition for capital that is likely to come with greatly increased government borrowing as a result of the war.
>
> As listed bonds did not have much of a chance to discount this possible development before the Stock Exchange closed, and as the bond houses have maintained prices on their unlisted securities since, these people feel that by waiting they will be able to buy bonds at lower levels.
>
> Against this theory is that on which borrowers are placing their faith—that the war seems certain to slow up business activity all over the world for some little time at least, and that this relaxation in countries like the United States will release a large amount of funds for investment and will insure cheap money for the borrower. One experienced student of the money market said last week: "Conditions that make for tight money invariably affect general business and release investment funds, and there follows a period of easy money." He expects to see business at a slow rate in this country until the first of the year, when, he predicts, it should go ahead rapidly.
>
> Whether this theory of cheap money, after the first pinch is over, or that of still lower prices for bonds, because of increased competition for capital, will prevail cannot be told at the present time. But both borrowers and lenders are quite likely to suspend operations for the time being to see what the outcome is to be.

Foreign Government Loans; Their Effect on Railroad Bonds.

JUST what effect the aftermath in the financial markets will have is giving the investment bankers some thinking to do. What will happen to railroad bonds and other low, fixed-interest securities when, after the war, active bidding for the world's capital supply begins?

Europe will demand vast sums of money then and will undoubtedly offer a high premium. It is not unlikely that this financing will have to be done on a 5 per cent. basis, or possibly a 6 per cent. basis. This is the opinion of well posted bankers on the situation.

How much this flood of high rate loans will disturb the bond market for railroad issues—ordinarily put out on less than a 5 per cent. basis—is problematical. It may hurt considerably.

Because of this fear, bankers are saying that it behooves the Interstate Commerce Commission and State Railroad Commissions to give the railroads every chance to build themselves up into a position where they will be able to compete in the scramble for capital. They feel that the competition should come in the form of increased security and strength behind railroad bonds. Then investors will not feel that, with an amount of risk equal or nearly equal as between some of the newer offerings and the railroad bonds, they might as well have the former because of the more attractive yield.

All the bankers do not see it exactly this way. Some believe that with the new banking system in operation and the emergency currency on hand there will be plenty of money to go around.

Will Bonds Come from Europe in Large Amounts?

INVESTMENT bankers would like an answer to this question. Stocks and bonds did come across in pretty large amounts before the closing of the Exchange shut off the flood, but, of course, there were more stocks than bonds.

The foreign banking fraternity could see quickly that their respective countries would need money soon, but they could not see how much; so they sold, preferring cash to securities.

When the Exchange opens they will want still more money and they will likely send over some more stocks. They will also send bonds. Their own loans will not only give them handsome returns, but new financing operations will mean fat profits.

Will they sell us large amounts of bonds? All bonds are lower in price than they were months ago. Many of the securities bought by Europeans were bought at much higher prices. The seller of bonds abroad must therefore put on one side the loss of principal if he sells and on the other the higher rate that his new government or other loans are going to pay. There will have to be a balancing of loss and gain in such a way that in many a case he might just as well hang on to his American bonds.

These American bonds are likely to be the first to advance in price if our judgment is right that this war will make business and profits for the United States. A little later the European investor can get out and take over his own securities if his patriotism so prompts him.

Practical Talks to Investors

IX—Fundamental Differences in Investments Are Vitally Important

THOUSANDS of investors have no idea as to what is meant by fundamental differences in investments. There are a number of very important things to be considered in any investment such as the gross earnings of the company over a period of years, the trend of net earnings over the same period, the margin of safety of the company's securities and other matters of this character.

But after all, these are really not the fundamental things. They are vital in studying the bond or stock, but not the fundamental factors. You have to go down deeper for these and study over a wider field to see the company in the light of these fundamental factors.

Each, of course, has its important part, but they should both be considered.

When properly interpreted, fundamental factors mean such questions as this: whether an industrial company produces something which is in the nature of a life necessity, such as food or clothing, or whether it produces some luxury which can be dispensed with very easily. It is well understood by the thoughtful investor that the business that produces a product that is farthest away from a luxury is likely to maintain a better balance of earnings than otherwise.

Considerations of this kind are known as economic factors, that is, factors growing out of what the business *is* rather than how the the business succeeds at any particular time.

When we apply this to railroads we find that these economic factors do not count for so much as in industrials because the railroad has service to sell and this service which is its product results from different conditions and has an entirely different aspect than the selling of goods. And, furthermore, because the railroad has this kind of a product it is easily seen how it is less acutely affected than many an industrial is sometimes.

Now turn to another type of security—the municipal bond. The things that hurt an industrial company much or little have absolutely no bearing on the position of a municipal bond. There may be a factory shut down in a town, and the company's securities may become next to worthless. Not so with the town's bond, however. The town meets its interest regularly and pays off the bonds when they mature regardless of good times or bad. There is no income account or earning power to consult in municipal bonds. Of course, if the shut-down of the factory took half the town away, something might happen to the bonds, but that is very rare. There are, to be sure, some things to be considered in municipal bonds, but they are not what effect the railroad industrial bond.

Then again there is the utility bond. The utility company is, of course, subject to public service commissions and legislatures, but offsetting this is the fundamental factor of the stability of business characteristic of so many utility companies. And the reason for this stability is the fundamental fact that the service it renders is a necessity.

So, too, the various other classes of securities each have their fundamental considerations of this character. These fundamental factors are really the first group of influences that every investor should study. Following this he can properly consider the earnings and other factors of a more direct nature.

INVESTMENT DEPARTMENT

The Melon Cutting Stocks

Why They Should Be Purchased—Which Should Lead the Next Boom

By RICHARD D. WYCKOFF

THIS is the melon season, speaking from a vegetarian standpoint, but we are miles away from anything in the line of a stock market melon. Nevertheless, it behooves us to inspect the security list carefully, because in big stock market declines we can usually secure an interest in future melons at little or nothing. In fact, past history proves that melons are given away in panics. In booms you have to pay for them, after which they often melt away, thus completing the cycle.

In proof of this take look at Great Northern's record. In 1902-3 Great Northern made a low point of 160. It was then only a 7 per cent. stock, but had established a reputation for generosity to its stockholders by frequent distributions of valuable rights. But the big melon in Great Northern was in prospect.

In 1904 these prospects grew brighter and Great Northern sold at 242½. In 1905 the high was 335. In 1906—the year the melon was actually distributed—Great Northern touched 348, a rise of 188 points from the low of 160.

The maximum value of the melon, which took the form of shares in the Great Northern Iron Ore Properties, was 88½. Stockholders who sold out around the high price not only got the melon, but a hundred points to boot. Great Northern Iron Ore Properties did not stay long in the neighborhood of 88, but declined in the following year to 36, and every year since the shares have sold in the 20's, making 22½ on July 30, 1914.

From this it will be seen that the melon was contained in the price of 160; that more than the melon was in the price of 348, and now with Great Northern at 114 and the Ore Properties at 22, it has shrunk 212 points from its record high.

These melons are very often planned years in advance. Insiders, who know better than any one else the equities latent in the respective properties, often accumulate stocks of the melon-cutting variety for the very reason that they expect to make a distribution when the time—and the melon—is ripe. Every great bull market revolves around some spectacular incident or group of such incidents. The imagination of the public must be fired, and nothing serves better for this purpose than an extra distribution of some sort.

Another reason why insiders buy prospective melon-cutters in such markets as the present, is that they can usually make their purchases at prices which yield a liberal return on ordinary dividends, with no extra charge for equities. This is the case with a number of stocks at present. You can buy them at a price to net from six to seven per cent.,

with future melons thrown in for good measure. When the next bull market comes along, one or more of these good things will be thoroughly exploited and used as a magnet to attract outside buyers.

The list of stocks in this class is not as large as it was, for numerous reasons. Railroads are not making much money. Both railroads and industrials are rather concealing their large earnings or equities where such exist. Some distributions have already been accomplished and "the mill will never grind again with water that is past." However, there are sufficient stocks in the prospective melon class to give us a fair selection, and with this in mind we will run over the main points of those which are included.

UNION PACIFIC has distributed its holdings of Baltimore & Ohio, but it still owns as an investment some $10,000,000 Alton preferred, $4,000,000 Chicago & North Western common, $2,000,000 St. Paul preferred, $22,000,000 Illinois Central, $6,000,000 New York Central, $5,000,000 Railroad Securities Company. Most of these holdings represent a big loss, which has been charged off. It is possible, however, that they may be distributed to Union Pacific stockholders at some time in the future.

There should be, in addition, an equity in the Union Pacific Land Company, but a distribution of this is almost too remote for consideration. The Union Pacific has also a large amount of cash arising from the sale of its Southern Pacific holdings, but this is likely to be held until the government's Southern Pacific suit is disposed of. Union Pacific, therefore, may be considered in the likely class, with no immediate prospects.

CANADIAN PACIFIC is rather a prolific melon-cutter, the maximum value of its rights for the past twelve years having been $93 per share, or an average of nearly $8 per annum. This company has still a very large equity in its lands and has no doubt been concealing earnings for several years past. Land sales should result in extra dividends from time to time, or an increase in the present amount which is being paid out of income therefrom. Canadian Pacific's ten per cent. dividends are officially stated as seven per cent. from railroad earnings and three per cent. from special income, which, it is understood, arises largely from sales of land. As its territory is developed, the remaining tracts of land will become more and more valuable. New issues of stock are of almost yearly occurrence with Canadian Pacific. In 1912 the maximum value of rights was 21 points; in 1913 nearly 20 points. Even one-half or one-quarter of this amount on the average for the next two years would make it worth while to buy Canadian Pacific at these prices.

SOUTHERN PACIFIC *affords at present the best combination of low market price, liberal income yield, big equities and prospective melons. An article in this magazine for May and June last thoroughly explained these possibilities.*

NORTHERN PACIFIC has a half interest in earnings and equities in the Chicago, Burlington & Quincy Railroad, from which an extra distribution may be expected at any time. Its 1913 balance sheet showed land holdings of 9,306,407 acres. The average price received during that year was about $6 an acre. Here we have an equity of $55,000,000. This land will probably increase in value each year and the net amount received therefor may easily double the above estimate, but this distribution is likely to be spread over a series of years. Nevertheless, it is contained in the present price of the stock. The Northwestern Improvement Company has been a source of recent additional income from which another melon may be derived.

READING sells at a comparatively high price for an eight per cent. stock, but there is no prospect of a melon being cut by this company unless it is forced to do so by a Supreme Court decision.

GREAT NORTHERN always has a melon up its sleeve. It owns a number of proprietary companies, chiefly railways, a half interest in the Chicago, Burlington & Quincy Railroad, a half interest in the Spokane, Portland & Seattle Railway System, for advances to which it will receive $20,000,000 in stock and $30,000,000 in first mortgage bonds.

Great Northern also has interests in coal and iron properties in the northwest, so that it is possible for a melon to come from any one of several directions. In

1913 it sold about 17,000 acres at an average of over $13 per acre, but there is no possibility of a big distribution from this source, as its remaining land holdings are not large.

INDUSTRIALS.

General Electric at the end of 1913 had a total surplus of $17,000,000, equal to over 16 per cent. on its outstanding stock.

Pullman has a good record for distributions in the past, but nothing in this line seems imminent.

American Telephone & Telegraph occasionally issues rights which have small value. These would hardly be worth while considering at present.

International Harvester of New Jersey, with a total surplus as of December 31, 1913, amounting to $19,608,798, to which should be added the reserve accounts and book values mentioned in our July number, promises a very considerable distribution in the course of the next few years. Considering its earning power and these equities, it is one of the most attractive industrials in this class.

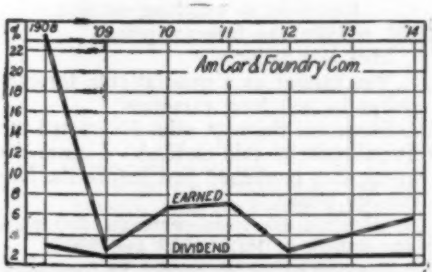
Sears Roebuck as a prospective melon-cutter has few equals. The possibilities in this company were explained in our April number.

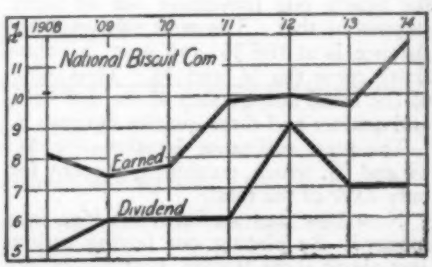
Consolidated Gas (N. Y.) has a total surplus equal to about 12 per cent. and numerous valuable equities in its real estate and among various holdings of its subsidiary companies.

To sum up, we regard the following stocks as affording the best opportunities when judged from this standpoint: Southern Pacific, Canadian Pacific, Great Northern, Northern Pacific, Harvester of N. J., and Sears Roebuck.

We might add that the Chain Store stocks, such as Woolworth, Kresge, United Cigar Stores and Riker-Hegeman, should also yield very satisfactory results in this respect, but these are not widely enough distributed nor large enough issues to warrant their being used as a basis for spectacular bull campaigns. For this reason they are not so desirable. As explained in the case of Great Northern at the beginning of this article, the mediums by which speculation is stimulated often rise to a level far exceeding the value of the prospective melon, and it is therefore wise to favor such a stock.

While long range predictions are often nullified by unforeseeable events, it is well to remember these facts: That the most powerful stock market interest in Wall Street is now the Standard Oil-Kuhn Loeb-City Bank party. This interest controls Southern Pacific, which has recently been heavily liquidated by its former owner, Union Pacific. Accumulation of a very large line of Southern Pacific, which as we have said yields a liberal return and contains the juiciest of melons, is at least quite within the range of one's imagination, and it would not surprise us if this stock were made a leader in the next great bull market.





How to Place Odd Lot Orders

Some Suggestions Based on Statistical Analysis of the Stopping Points

HAVE you ever noticed what a habit people make of placing buying orders at round figures?

This is especially true with regard to their buying orders in times of panic. An investor who is buying on a five point scale and who expects Steel to sell at say 30, will never think of placing his orders any other way than 50, 45, 40, 35 and 30. He does not realize how much better his chances would be if he would change these figures to 46, 41, etc. or to 45⅛, 40⅛, etc., for most of the other five point scale buyers in the country are using the round figures, thus creating a strong buying demand at these points.

A year or two ago, John Muir & Co., who are prominent in the odd lot trade, made a statistical analysis of 2,230 stopping points in the movements of certain stocks. The result in round percentages was as follows:

31%	**of the**	**movements**	**stopped**	**at the**	**full figure**
6%	"	"	"	"	⅛
12%	"	"	"	"	¼
5%	"	"	"	"	⅜
23%	"	"	"	"	½
5%	"	"	"	"	⅝
11%	"	"	"	"	¾
7%	"	"	"	"	⅞

From this it will be seen that the strongest resistance is at the full figure, for nearly one movement out of three stopped at that. The next strongest resistance is at the ½, and next in popularity come the ¼ and ¾. Thus 77% of the small swings stop at the full half, and quarter and three-quarter figures.

The least resistance is at the ⅛, ⅜, ⅝ and ⅞, which, combined, account for only 23% of the total.

Now how can we turn this idea into money? By placing our buying orders just above these strong resistance points and our selling orders just under, particularly if we wish to deal in odd lots. If the low price of a stock is 60, you are sure to have your order executed if your odd lot or hundred share order is placed at 60⅛. You will not get it if your limit is 60 on an odd lot. You may secure a 100 share lot and you may not. It depends on the supply and demand at that figure.

In placing a stop the best protection is assured by putting it just under the full figure or the ½. In realizing, your orders should favor the ⅞ and ⅜ rather than the full figure or the ½, because the selling orders are found in greatest abundance at the full figure and the ½.

Many a good profit has been lost through failure to observe this important point, and many a person has been hung up because he held out for the particular full figure which he desired to realize.

Personally we favor buying and selling "at the market" when it is time to act, because this method surely gets you in or out and a small fraction does not stand between you and the particular thing you want to accomplish.

* * *

A Fallacy

THERE is an old Wall Street saying:

"Earnings create dividends;
dividends make values;
values govern prices;
therefore by watching earnings
you can forecast prices."

This is a fallacy.

You cannot as a general rule forecast prices by watching earnings.

Show me the man who forecasted the July break by this method. I mean the break that happened just before the Exchange closed.

Of what use were earnings, dividends and values in 1901, 1903 and 1907?

Conditions which cannot be forecasted or measured often dominate the situation. We are at present undergoing a very painful illustration of this point. At such times it is not a question of earnings, dividends or values. It is *what you get for it* that counts.

To be sure, a knowledge of earnings and dividends will be found of vast assistance in selecting the right stocks at such a time, but these factors are of no permanent value in forecasting prices over a series of months or years.

Five Hundred Dollar Bonds

A Few Issues of This Class Suitable for the Small Investor

Railroad		
Atchison, Topeka & Santa Fe gen. mtg.	4	1995
Baltimore & Ohio pr. lien	3½	1925
Mobile & Ohio gen. mtg	4	1938
New York Central ref. & imp	4½	2013
Southern Pacific & Central Pacific Collat	4	1949
Public Utility		
Michigan State Tel. Co. 1st mtg	5	1924
New York Tel. 1st & gen. mtg	4½	1939
Northwest Tel. Co. gtd. 1st mtg	4½	1934
Third Avenue 1st ref. mtg	4	1960
Industrial		
Adams Express Collat	4	1948
Bethlehem Steel 1st ln. & ref	5	1942
General Electric deb	5	1952
United States Steel Corporation sf	5	1963

The Baby Bond

The Baby Bond no longer prattles; it talks.

The Baby Bond is growing so fast that its influence is entirely out of proportion to its size.

When ten Baby Bonds come into existence one big bond disappears permanently from the floating supply.

Baby Bonds, grudgingly tolerated, were first obtained by conversion. Now they are being put out by original creation.

He is poor in judgment, who, waiting for the time when he can buy a thousand dollar bond, does not make the steps upward clean cut and decisive through buying $100 bonds.

Oil Investments from a Practical Standpoint

III—Refining

By JO. P. CAPPEAU, Jr.

[Those who hold or intend to invest in oil stocks, will find in this series valuable foundation facts which will enable them to better understand the principles upon which success is based.]

THERE are probably more technical considerations, very hard to explain to the uninitiated, in the choice of a refining company stock than occur in any other branch of the oil business, and the comparatively hard and fast rules that can be laid down for producing and transportation companies will not apply. There are a number of elements of almost equal importance in making an investment in a refinery and they are so interrelated and interdependent, that even an expert, when interviewed on the subject, will say: "It depends" so many times that one would think it a refining habit.

Although the oil business is practically dated from the discovery of the Drake well in 1861, the refining end of the business in this country goes back as early as 1849 when S. M. Kerr succeeded in manufacturing a fair article of illuminating oil from crude. In 1854 he built the first refinery in Pittsburgh with a capacity of five barrels per day. The chemists of those early days were familiar with the value of petroleum, but most of the efforts were directed toward obtaining distillates from coal and shale, but by 1860 there were fifteen different refiners manufacturing illuminants from crude oil, though in a very primitive way.

The first refineries of any importance for handling crude oil only were located at Cherry Run and Corry, Pennsylvania, and were both built in 1862. In 1868 there were 48 refineries in Pittsburgh alone with a capacity of 37,000 barrels of refined per week, while five years later there were 101 refiners in the whole country with a capacity of 47,000 barrels per day, greatly in excess of the crude supply. In 1880 there were 86 refineries, and in 1889 this had increased to 105.

The actual process of refining crude petroleum may be most briefly stated as a distillation, a continuous heating and cooling whereby at different temperatures, different products are drawn from the stills. The first products are the light non-burning oils, benzine, gasoline, and naphtha, then comes what the refiner calls burning oils, the public kerosene and the jobber Prime White and Water White, the difference coming in the secondary treatment. Next comes the gas oils, used in the manufacture of artificial gas, then a paraffine base oil, that is called wax distillates. These wax distillates give the paraffine wax of commerce on treatment and the residue that is known as cylinder stocks and neutral stocks, the basis of heating and non-heating lubricating oils. The remaining products are of little interest outside the trade, but run all the way to vaseline and alboliene, which retail for about 30 cents an ounce in the drug stores.

In selecting an investment in a refining company already in operation or, for that matter, one which is still on paper, the following main points will receive the most careful attention of the experienced refiner. The grade of crude oil used, the supply of same, how obtained, the future of the supply, the equipment of the plant, shipping facilities, supply of fresh water, markets for the refined products, competition from other refiners, trade marks and last but not least the actual location of the refinery in

question. As all these points are interlocking. For instance the value of the equipment depends entirely on its being best adapted to handling the crude in use, while the value of the grade of crude used depends on its accessibility and a reasonable certainty of a future supply. At the same accessibility to the supply of crude may be more than counterbalanced by better shipping facilities and markets at a more distant point.

Other things being equal, the average refiner will admit that a plant located with tidewater connections has a great advantage over its inland competitor. (Before going further, it might be well to state that a refinery dependent upon tank car shipments for its supply of crude cannot compete with others in the same district which have pipe line connections so that in the further discussions in this article, it will be understood that the refineries have pipe line facilities.) The advantages of a seaboard location are two fold: (1) advantage in disposing of surplus products to foreign trade in dull times and (2) in securing crude deliveries by tank steamers. This latter point has been of minor importance in the past but the large exports of Mexican oil within the last few years and the fact that a great deal of light oils from Texas and Louisiana were being laid down in New York during the present year at prices that practically prohibited the further use of Eastern crude at the top markets then prevailing, have drawn more and more attention to this method of securing crude. While it is true that shipments of crude by rail in comparison with refined, owing to refining and other losses, are impracticable, the same does not apply to water shipments, and unless there is a fairly good market near at hand—where shipments can be made by water—it is economy to transport the oil in its crude state. The constant search for oil all over the world and the fact that it generally has been discovered in large quantities in sparsely inhabited regions or where the refined markets are poor, lends additional importance to tidewater locations for refineries. If a refinery is located inland, the selection of same depends on a number of different elements which can best be discussed in details under separate heads.

While the oil producer will tell you that the price of crude oil is governed by the law of supply and demand in this or that particular field, the refiner will tell you that the price depends on what he can get out of that particular grade of crude. He will say that Pennsylvania grade oil is the "best oil in the world." In other words the refiner can secure more different products from that which is known as Eastern Crude and a larger proportion of the particular products that make him the most money. However, there are refineries operating and making money, using practically every grade of crude oil produced today, so that the matter narrows down to the equipment of the plant being suitable for the crude used and question of the accessibility and future of the supply.

Refining methods have made remarkable strides within the past few years and a refinery built ten years ago, unless it has been constantly improved, will show increased costs over a modern plant. As refining costs are all lumped and the total divided by the number of gallons run, it is obvious that other things being equal, the plant with the largest crude capacity will be the most economical. Another factor in a large plant is that with its large gallonage, it can afford to put in special refining apparatus, which will enable a number of more profitable products to be obtained than can be secured by a smaller plant which cannot afford the expensive equipment. It takes a very large run of crude to secure sufficient distillates to make the operation of the special machinery profitable. However, like any other plant, a refinery must run to capacity to obtain the minimum operating expense.

At this point, where we have practically granted that the larger the refinery the better the chances, the question of a sufficient supply of crude, the future of the same and the marketing of the refined products enter in. Other things being equal, there is no question but that the nearer the supply of crude, the more the profits.

The question of a future supply of

raw material is most important, not only as regards the working of the refinery but also with regard to the equipment. A refinery using crude from a field with a future, where there are possibilities of holding or increasing the present production by opening up new pools would have the call on one using crude from an old field which is slowly declining with no chance of much new production. In the latter case it would mean that the refiner must look elsewhere for sufficient crude to keep his refinery working, entailing increasing transportation charges and in a number of cases, expensive changes in equipment to handle the new crude.

As to the marketing end, it is apparent that refineries on the coast, having both rail and water facilities, will have the advantage of the one depending on rail alone. In an inland refinery, the railroad facilities are of prime importance in marketing. As has been pointed out before, in comparison with rail transportations, pipe line charges are practically negligible up to a certain point and it is therefore often good policy to locate a refinery where it will have three or four railroads and take a good general freight rate in its marketing territory, rather than to place it nearer the supply of crude with inferior shipping facilities.

To a practical refiner, the supply of fresh water is a point of great interest. To the uninitiated, it is astounding the importance this fact bears, but a survey of the largest refineries in this country will show that they are practically all located either on large rivers, the Great Lakes, or the seaboard. One of the largest independent refining companies in this country whose biggest plant is located on the Gulf of Mexico, had to spend an exceedingly large sum of money in rebuilding their entire power plant and installing expensive electrical equipment just on account of this item of fresh water failing. Fuel is also important, and a cheap supply of fuel oil or preferably cheap natural gas is a big advantage.

That trade marks play an important part in the oil business is just as true as it is in any other industrial, and once established, these act as advertising and selling agencies for the refinery. The advent and development of the motor car has been a wonderful help to the refining business and the names of Mobiloil, Red Crown Gasoline, Gargoyle Oil, Havoline Oil, Polarine, Texaco Products, Zeroline are household words among the motorists. Nearly all the larger refineries have established marketing organizations of their own and in a number of cases with foreign offices. In districts of keen competition, retail supply stations and tank wagons are even maintained. Experience has shown that the competition of one or two large refineries is less to be feared than that of a number of small refineries. As small refineries, to date, have been compelled to furnish their own pipe line facilities, they naturally have located as near the crude supply as possible and it is here that the keenest competition and price cutting occurs. In establishing a new refinery the question of trade marks and the necessary campaign to get same established is often a serious matter.

The question often arises: If the producers are making money and the pipe line also, why should not a refinery own its own production and pipe lines? There are advantages and disadvantages in this that have and will cause endless discussions. Results would tend to show that to the refinery having its own production and pipe line, the reduction in cost of raw material will run from 50 per cent. up. A number of companies, notably the Standard Oil Company of California, the Gulf Oil Corporation and the Texas Company have been most successful in this line. However, the initial cost of a pipe line of sufficient capacity to supply a refinery of large enough gallonage to insure the success of the special machinery necessary to a modern plant, will be in itself a very considerable expense and the further outlay to buy producing properties will run the initial cost of the undertaking into such large figures that it makes a very heavy load on the refinery. In addition, the constant search for new production to keep the refinery supplied entails considerable expense, not to mention the risks of the producing business which could easily wipe out the refinery

profits. Again there will be constant extensions of the pipe lines if the new production is to be reached, and taken altogether it adds an element of risk that removes the refinery out of the strictly industrial investment class. A privately owned pipe line is a necessity where trunk lines are not available and the usual method is for the refinery to purchase the crude direct from the producers and transport it to the refinery in its own pipe lines. Unless a new company has more than usually large reserve funds, as a general rule, it should leave the producing end of the business alone.

The question of profits is one that cannot be gone into too deeply without a long discussion, as they vary with the grade of crude used, the consequent products obtained, the law of supply and demand for the products and different economic changes that are constantly taking place in this country and abroad. Whereas in the early days, the burning oils were the chief source of profits and "refined" came to mean Prime White and Water White kerosene, the development of the explosive engine brought a demand for lubricants and for a while large returns were obtained. Later, the automobile brought gasoline to the front. Fuel Oil was in demand for a while but the large imports of heavy Mexican crude and California low grade oil took this source of profit away from the refiner who had been simply skimming, taking off the lighter products, of Western crude.

The general public probably overestimates the profits that come from straight refining. While it is true that a number of the larger companies in the Standard Oil group which are classed as refiners and several of the more important independent companies have shown large profits, investigation will show that a large proportion of their income was derived either from sources outside of the refinery proper, such as producing and transportation, from well advertised specialties or control of special processes; but in some cases it is due to exceptionally favorable locations. The following figures (average for 1913) are the profits per barrel for a small independent refinery from straight runs and although the larger plants may show slightly higher figures, the average will be much alike. Naturally there are times when these figures have been exceeded or decreased due to market conditions for refined products and price of crude oil. Profits from Pennsylvania grade oils to the refiners ran around 25 cents per barrel, (for every barrel of crude run through the stills), 30 cents from Trenton Rock oil, 31 cents on Illinois oils and 40 cents on Oklahoma crude. The above figures will hardly be equaled by independent refiners for the first six months of this year owing to market conditions for refined.

New companies entering the business at the present time should start with ample capital in order to equip their plant with every modern improvement, to start and maintain an active selling campaign, and a large working capital to tide them over slack times. The competition among refiners has become so keen that the equipment is of prime importance, and only the most modern plants can show profits. The question of marketing has become so strenuous within the past few years that the larger companies are cutting more and more into the middleman, through the establishment of retail supply stores, tank wagons, etc. In addition they are putting up their products in more attractive shape and in small quantities that will sell readily to the individual. The importance of brands and trade marks has already been touched on and a new company will have to be prepared to spend considerable money to get same established. Tank cars for shipment of the refined products are practically a necessity to the refiner as the supply by the railroads and tank car lines is ont equal to the demand, and prompt shipments have become practically a necessity.

Bargain Indicator Showing Comparative Earnings of Important Stocks

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvements of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount.

DO NOT BUY these stocks until you have read the above note and references thereto. Then if in doubt write us.

Railroads	Present div. rate.	Div. yield on pres. price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1908.	1909.	1910.	1911.	1912.	1913.	1914.	Price July 30.	Earnings last fisc. yr. on price.	Notes.
Denver & Rio Grande pfd.	0	0	7.7	6.6	8.3	4.7	2.0	4.2	2.8	9	31.1	Financial position very weak. Readjustment probable.
Seaboard Air Line pfd....	4	8.5	....	....	....	7.6	3.7	7.3	7.0	47	14.9	Initial div. Nov., 1913.
Kansas City So. com......	0	0	2.6	3.4	2.2	2.7	0.2	2.7	2.5*	21	11.9	
Southern Railway com....	0	0	—2.2	0.5	2.3	3.1	3.1	3.4	2.0*	17	11.8	Preferred div. postponed.
Union Pacific com.........	8	7.1	16.2	19.1	19.2	16.6	13.8	15.1	13.0*	113	11.5	Ex-rights 30¾% July 20, 1914.
Chesapeake & Ohio........	0	0	4.4	6.4	10.0	5.1	6.8	5.2	4.7	42	11.2	Must apply $17,000,000 earnings to property by 1917.
Brooklyn Rapid Transit...	6	7.6	4.1	4.2	5.6	6.8	8.3	9.2	8.7	79	11.0	Subways should enlarge earnings when done.
Lehigh Valley	10	8.2	19.2	15.4	23.0	16.5	13.2	16.9	12.5	122	10.3	1914 earnings include Temple Iron Co. div.
Tol., St. L. & West. pfd...	0	0	0.2	1.0	2.0	—0.6	—0.5	0.6	1.0*	10	10.0	Receivership threatened. Default on col. tr. bonds.
Canadian Pacific	10	6.4	10.6	8.6	16.0	17.3	19.6	19.6	14.5	157	9.2	Dividend from R. R. earnings 7%; land sales 3%.
Norfolk & Western........	6	6.1	7.1	8.7	11.6	8.9	9.9	10.6	8.9	98	9.1	Controlled by Penn. R. R. Gov't may force sale.
Wisconsin Central	0	0	—0.6	0	2.5	—4.3	0.3	4.0	2.5*	30	8.3	Leased to M., St. P. & S. S. M. (Can. Pac. system).
Atlantic Coast Line........	7	6.1	5.6	9.4	12.0	12.8	12.1	12.0	9.5*	114	8.3	Controls L. & N. by stock ownership.
Del., Lack. & Western....	20	5.1	40.8	52.8	35.4	31.8	33.2	32.0	....	390	8.2	
Chicago Gt. Western pfd..	0	0	....	....	1.2	1.9	0.4	2.8	2.2	25	8.1	
Northern Pacific	7	7.1	12.8	10.7	9.0	8.2	7.9	8.7	7.9	98	8.0	Large land holdings and equity in C., B. & Q.
Reading	8	5.7	12.7	13.2	16.1	13.8	12.5	22.7	11.1	140	8.0	Suit filed against control of Jersey Cen.
Twin City Rapid Transit..	6	6.3	8.3	9.9	10.9	11.0	11.3	13.0	7.5*	95	7.9	
Atchison	6	6.7	7.7	12.1	8.9	9.3	8.2	9.5	7.0*	90	7.8	
Southern Pacific	6	7.1	7.4	10.2	13.0	9.6	7.9	9.8	6.5*	85	7.6	Govt. contesting ownership of Cent. Pac.
Great Northern	7	6.1	7.1	8.3	8.5	8.3	10.3	11.0	8.5*	114	7.5	Large equity in C., B. & Q. and other properties.
Louisville & Nashville.....	7	5.5	7.5	14.3	17.3	14.2	15.9	12.7	9.5*	127	7.5	Controlled by Atl. Coast Line.
Chicago, Mil. & St. Paul..	5	5.9	9.5	7.2	8.0	7.1	1.6	8.6	6.3	85	7.4	Earnings include Puget Sound extension.
Buffalo, Roch. & Pitts....	4	4.4	6.2	6.3	7.3	8.0	8.4	10.2	6.0	90	6.7	Div. recently reduced from 6%.
Pennsylvania	6	5.7	9.0	11.0	9.3	8.6	9.3	8.9	7.0*	105	6.7	
Minn., St. P. & S. S. M. com	7	6.7	8.4	8.8	15.7	5.3	11.1	14.7	7.0*	105	6.7	
Baltimore & Ohio..........	6	8.3	5.1	7.1	8.9	6.9	7.6	7.2	4.5*	72	6.3	B. & O. holdings recently distributed by Un. Pac.
Chicago & Northwest.......	7	5.6	11.2	11.4	7.7	8.0	7.1	9.6	7.9	126	6.2	Pfd. and com. share alike above 7%.
Illinois Central	5	4.7	8.4	7.4	10.1	10.3	3.2	6.0	6.5*	106	6.1	Div. reduced from 7% to 5% in 1913.
N. Y., Ont. & Western...	0	0	2.6	2.3	2.2	2.0	0.8	2.1	1.1	19	5.8	
Delaware & Hudson........	9	6.4	12.4	12.2	12.5	12.3	13.0	14.5	8.0*	140	5.7	
N. Y. Central.............	5	6.3	5.1	7.7	6.4	5.7	6.2	5.9	3.0*	80	3.8	Consolidation with Lake Shore pending.
Erie	0	0	—3.7	0.3	2.9	2.5	0.7	4.3	0.5*	21	2.4	
Mo., Kansas & Texas.....	0	0	0.4	0.7	0.8	2.0	—0.8	2.8	0.2*	10	2.0	Pfd. div. passed. Credit poor.
Missouri Pacific	0	0	3.7	1.3	3.3	—6.3	—2.4	1.9	0.1	8	1.2	Readjustment pending. Assessment probable.
Pitts., C., C. & St. L. com	0	0	7.2	9.8	6.1	7.0	10.9	—2.0	0.5*	65	0.8	Penna. system.
St. Louis Southwestern pfd	0	0	1.6	2.9	4.1	6.1	8.2	9.4	1.7	...	....	Div. recently passed.
N. Y., New Haven & Hart.	0	0	5.4	7.4	10.3	7.1	8.5	5.0	....	51	....	Gov't suit pending.
Colorado & Southern com..	0	0	4.8	4.9	7.3	5.2	2.6	3.2	—0.5*	20	....	Controlled by C., B. & Q. (Hill management).
Lake Erie & Western pfd.	0	0	—2.0	0.8	—0.2	—0.1	1.8	—1.8	....	...	....	Controlled by Lake Shore.
Western Maryland pfd....	0	0	....	....	8.6	6.2	6.0	—4.1	....	30	....	New extension done. Better results expected.
Minn. & St. Louis pfd....	0	0	2.7	—2.4	1.9	1.5	—11.9	7.7	—4.5*	...	....	

Industrials

	Present div. rate.	Div. yield on pres. price.	Surplus available for dividends, or earnings on par for fiscal year ending on any date during 1908.	1909.	1910.	1911.	1912.	1913.	1914.	Price July 30.	Earnings last fisc. yr. on pres. price.	Notes.
General Motors com.......	0	0	....	....	....	15.7	17.3	38.8	....	59	65.8	1911 earnings 10 mos. only.
Bethlehem Steel pfd.......	5	6.2	2.4	5.3	13.4	13.6	13.1	34.4	....	81	42.5	
Pressed Steel Car com....	3	8.8	—5.8	7.7	5.5	0.1	0.8	10.5	....	34	30.9	Recently declared ¾% quarterly.
Colo. Fuel & Iron com...	0	0	0.4	2.1	4.0	3.2	4.8	4.6	....	21	21.9	Pref. in arrears about 40%. Strike affected co. badly.
Am. Steel Foundries.....	2	7.1	0.3	0.1	6.1	—1.5	4.6	6.1	....	28	21.8	1911 earns. are 17 mos.
United States Steel com..	5	9.6	4.0	10.5	12.3	5.9	5.7	11.1	....	52	21.3	Govt. suit pending. First 6 mo. 1914 earned 0.2%.
Nat. Enam. & Stamp. com.	0	0	—2.1	1.1	1.0	1.1	—1.6	1.9	....	9	21.1	1912 earnings 18 mos.
Distillers' Securities	0	0	1.5	2.2	2.3	3.1	1.5	1.2	2.3	11	20.9	Holds maj. U. S. Ind. Alcohol.
U. S. Rubber com.........	6	13.3	0.2	4.0	7.8	2.2	6.3	8.7	....	45	19.3	1913 figured on present cap. stock.
Tennessee Cop. (par $25).	12	12.0	6.5	6.8	8.9	8.1	21.9	19.3	....	$25	19.3	Income partly from sulphuric acid.
Central Leather com.....	2	7.1	1.3	6.3	—2.1	—5.1	8.6	5.2	....	28	18.6	
Inter. Harvester N.J. com.	0	0	7.8	17.8	14.8	14.2	15.2	14.5	....	82	17.7	Govt. suit pending. 1913 earns. new co.
Va.-Car. Chemical com....	0	0	3.7	7.1	10.4	3.1	3.3	0.5	3.4	21	16.2	Owns Southern Cotton Oil Co.
Westinghouse Elec. com..	4	6.1	....	....	7.6	12.3	6.2	8.2	10.8	66	16.2	Has written off large amt. of investment in foreign Westinghouse Cos.
Republic Iron & Steel pfd.	0	0	9.8	8.1	11.7	7.8	8.9	12.4	....	78	15.9	Div. postponed.
Am. Agric. Chem. com....	4	8.0	6.1	7.5	10.4	9.1	7.3	5.2	7.7	50	15.4	
Am. Malt Corp. pfd.......	4	12.5	10.6	6.2	3.0	8.8	9.3	4.6	....	32	14.4	Divs. in arrears 22%.
U. S. Realty & Imp......	5	8.8	7.7	9.2	9.7	9.4	8.3	9.2	8.2	57	14.4	Controls Fuller Constr. Co.
Am. Smelt. & Refining com.	4	7.7	7.0	7.7	7.1	9.1	10.1	7.5	....	52	14.4	Smelting & Smelt. Sec. now consolidated.
Inter. Paper pfd..........	2	6.5	7.3	2.7	4.5	5.3	5.4	4.4	....	31	14.2	6% cum. div. in arrears.
Corn Products pfd........	5	8.6	8.5	8.2	6.9	7.0	6.8	7.6	....	58	13.1	Divs. in arrears.
Am. Car & Foundry com..	2	4.6	23.8	2.6	6.6	7.1	2.5	4.1	5.5	44	12.5	$600,000 set aside for com divs.; equals 2% on stk.
Sears-Roebuck com.	7	4.1	4.5	18.4	20.5	17.0	19.3	21.2	....	171	12.4	
Pittsburgh Coal pfd.......	5	6.1	1.7	3.0	7.2	5.1	7.5	10.1	....	82	12.3	Div. in arrears.
Chino Copper (par $5)...	40	9.4	....	....	....	....	50.6	77.5	....	$32	12.1	
Am. Beet Sugar com.....	0	0	4.2	7.0	7.3	10.9	13.5	3.9	2.3	19	12.1	Large earnings expected this year acct. war.
American Can pfd........	7	8.8	6.6	6.7	6.8	7.1	14.2	9.7	....	80	12.1	Arrears 8¾%. Govt. suit pending.
Am. Linseed pfd..........	0	0	....	5.8	4.5	2.6	—2.8	3.0	....	25	12.0	
Amalgamated Copper	6	12.2	4.3	2.4	3.9	3.9	4.3	5.8	....	49	11.8	Controls Anaconda. Div. doubtful.
Utah Copper (par $10)...	30	6.5	23.3	29.5	34.6	39.7	53.5	53.9	....	$46	11.7	
Ray Cons. Cop. (par $10).	0	8.8	....	....	....	2.1	13.3	18.5	....	$17	10.9	
Sloss-Sheffield com.	0	0	4.9	6.6	2.0	—0.6	0.8	2.1	....	20	10.5	
North American	5	7.8	4.8	6.0	6.2	6.2	7.2	6.7	....	64	10.5	Controls St. Ry. & Elec. Light Cos.
National Biscuit com.....	7	5.8	8.1	7.4	7.7	9.8	10.0	9.6	11.7	120	9.8	Fisc. yr. ends Jan. 31.
Pacific Coast com.........	4	5.7	5.7	5.3	8.8	7.2	6.2	6.6	....	70	9.4	Div. on 2d pfd. and com. reduced from 1½ to 1%.
Am. Cotton Oil com.......	0	0	3.2	10.4	6.8	—1.2	6.5	3.4	3.0*	32	9.4	Controls 17 sub. companies.
General Electric	8	5.8	10.2	7.4	16.7	14.5	16.2	12.9	....	139	9.3	
Union Bag & Paper pfd...	0	0	7.4	6.2	5.4	5.5	5.3	1.6	1.7	19	9.0	Divs. in arrears. Fisc. yr. ends Jan. 31.
National Lead com........	3	7.1	5.8	6.2	4.3	3.6	3.8	3.6	....	42	8.6	
Am. Telep & Teleg........	8	7.0	10.1	9.0	10.4	10.0	9.3	9.6	....	114	8.4	Large equities in sub. co. earns.
Pacific Mail	0	0	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	1.5	18	8.3	Contr. by So. Pac., Panama Canal should incr. earn's.
General Chemical com.....	6	3.6	4.5	14.4	15.6	15.5	11.5	12.8	....	168	7.6	5% stock div. 1912; 5% extra cash 1914.
People's Gas Light & Coke	8	7.6	8.4	8.9	9.0	8.9	7.5	7.2	....	106	6.8	1913 figured on pres. cap. stock.
Railway Steel Spring com.	0	0	—1.3	5.3	6.0	0.3	5.8	1.3	....	20	6.5	2% div. May, 1913.
Am. Locomotive com.....	0	0	11.1	—3.1	1.3	7.3	0.5	17.7	1.3	20	6.5	Mfr. of autos. discontinued.
Consolidated Gas (N. Y.).	6	5.2	4.9	6.7	7.4	7.6	7.5	7.2	....	116	6.2	Sub. cos. have large undistributed surpluses.
Pullman	8	5.2	9.8	10.9	11.6	9.3	8.7	9.3	....	154	6.0	
Western Union	4	7.4	1.7	5.8	5.7	5.4	4.0	3.2	....	54	5.9	Am. Tel. & Tel. has relinquished control.
Am. Hide & Leather pfd..	0	0	—0.1	11.2	—5.6	0.8	3.2	3.6	0.8	17	4.7	
Am. Sugar Refining com..	7	7.0	7.5	3.9	3.8	9.6	8.7	1.9	....	100	1.9	Affected by tariff. Much litigation pending.
Am. Woolen com..........	0	0	—3.9	5.2	2.2	2.1	2.1	—19.9	....	12	0	Affected by new tariff.
U. S. Cast Iron Pipe pfd..	0	0	5.4	1.2	4.4	3.9	4.2	4.7	—0.5	30	0	Controls 75% of U. S. production.

*Estimated.

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, an should be studied in connection with the "Bargain Indicator," which shows annual results and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions).	
						Pref.	*Com.*
Atch., Top. & S. Fe	July	$2,871,471	+$440,887	$2,871,471*	+$440,887	114	196
Atlantic Coast Line	July	316,391	—18,937	316,391*	—18,937	...	67
Baltimore & Ohio	July	2,272,021	—367,819	2,272,021*	—367,819	60	152
Boston & Maine	July	842,145	—242,828	842,145*	—242,828	3	39
Buff., Rochester & Pittsb.	July	229,475	—78,657	229,475*	—78,657	6	10
Canadian Pacific	July	3,778,446	—338,347	3,778,446*	—338,347	78	260
Central of Georgia	July	310,324	+141,025	310,324*	+141,025	15	5
Central R. R. of N. J.	June	760,116	—157,455	9,589,270*	—2,411,626	None	27
Chesapeake & Ohio	July	935,019	+58,898	935,019*	+58,898	...	62
Chicago & Alton	July	294,917	—15,062	294,917*	—15,062	19	19
Chic., Burl. & Quincy	July	2,751,719	+160,548	2,751,719*	+160,548	None	110
Chic. Gt. Western	July	213,140	—108,755	213,140*	—108,755	44	45
Chic., Mil. & St. Paul	July	2,383,898	+153,629	2,383,898*	+153,629	116	116
Chic. & Northwestern	July	1,915,745	+65,661	1,915,745*	+65,661	22	130
Cleve., Cin., Chic. & St. L.	July	855,547	+638,426	2,044,886†	—24,543	10	47
Colorado & Southern	July	184,114	—84,214	184,114*	—84,214	1st, 8; 2d, 8	31
Delaware & Hudson	June	727,112	—27,283	3,151,115†	—1,145,990	None	42
Del., Lack. & Western	July	1,312,222	+19,240	1,312,222*	+19,240	None	42
Denver & Rio Grande	July	436,664	+53,985	436,664*	+53,985	49	38
Erie	July	1,257,933	—186,509	1,257,933*	—186,509	1st, 47; 2d, 16	112
Great Northern	July	3,280,139	—252,747	3,280,139*	—252,747	230	None
Hocking Valley	July	108,486	—136,206	108,486*	—136,206	None	11
Illinois Central	July	706,341	—62,139	706,341*	—62,139	None	109
Kansas City Southern	June	404,034	+135,192	4,083,133*	+23,981	21	30
Lake Erie & Western	July	151,784	+72,939	610,686†	+5,297	11	11
Lake Shore & Mich. So.	July	1,381,474	—240,724	7,201,341†	—3,203,159	None	49
Lehigh Valley	July	918,097	—91,092	918,097*	—91,092	...	60
Long Island	July	659,637	+25,273	1,707,320†	+117,816	None	12
Louisville & Nashville	July	1,070,336	+126,370	1,070,336*	+126,370	None	72
Michigan Central	July	805,455	+142,261	4,258,533†	—1,166,656	None	18
Minn. & St. Louis	July	197,518	+3,079	197,518*	+3,079	6	15
Minn., St. P. & S. S. Marie	July	467,135	—11,619	467,135*	—11,619	12	25
Mo., Kansas & Texas	July	750,219	+17,814	750,220*	+17,815	13	63
Missouri Pacific	July	1,408,896	+135,685	1,408,896*	+135,685	None	82
National Rys. of Mexico§	June	73,583	—197,057	2,286,610*	—18,839,726	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	July	2,243,513	—202,414	11,586,333†	—1,655,397	None	225
N. Y., Chic. & St. Louis	July	240,584	+114,296	840,142†	—497,076	1st, 5; 2d, 11	14
N. Y., New Haven & Hart.	July	1,872,281	—28,146	1,872,281*	—28,146	None	157
N. Y., Ont. & Western	July	361,866	+4,302	361,866*	+4,302	None	58
Norfolk & Western	July	1,088,166	—72,395	1,088,166*	—72,395	23	107
Northern Pacific	July	1,645,746	—136,410	1,645,746*	—136,410	None	248
Pennsylvania R. R.	July	3,560,883	—344,476	18,254,515†	—2,761,089	None	499
Pere Marquette	June	def.16,431	—14,122	def. 1,762,145*	—4,750,586	12	14
Pittsb., Cin., Chic. & St. L.	July	878,210	+200,272	3,850,849†	+1,117,480	27	37
Reading Co.	July	554,838	+7,872	554,838*	+7,872	1st, 28; 2d, 42	70
Rock Island Lines	July	1,250,376	+54,018	1,250,376*	+54,018	50	90
Seaboard Air Line	July	434,238	+7,542	434,238*	+7,542	23	37
St. Louis & San Francisco	June	730,088	—533,507	9,969,821*	—3,406,021	1st, 5; 2d, 16	29
St. Louis Southwestern	July	157,315	—18,052	157,315*	—18,052	19	16
Southern Pacific	July	2,381,573	—135,495	2,381,573*	—135,495	None	272
Southern Railway	July	1,394,791	—38,154	1,394,791*	—38,154	60	120
Texas & Pacific	July	323,233	+56,117	323,233*	+56,117	None	38
Tol., St. L. & Western	July	105,932	—18,754	105,932*	—18,754	10	10
Union Pacific	July	2,676,337	—21,275	2,676,337*	—21,275	99	222
Wabash	July	739,804	+43,562	739,804*	+43,562	39	53
Western Maryland	July	190,926	+19,967	190,926*	+19,967	10	49
Wheeling & Lake Erie	July	143,302	—32,565	143,302*	—32,565	1st, 5; 2d, 12	20

*Fiscal year ends June 30. † Fiscal year ends Dec. 31. §These results are in Mexican currency.

The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company, For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

American Agricultural Chemical.—ANNUAL REPORT yr. ended June 30, shows earnings of 7.6% on $18,330,900 common stock against 5.3% previous yr. Manufacturing profits were $3,866,000 against $3,060,000 in 1913 and $2,850,000 in 1912. Surplus after div. was $8,492,000 against $7,823,000 in 1913. Directors say 4% common div. is safe. Cotton acreage may be curtailed next year, but only about 20% of Co.'s business is in the South, as against 75% for some competitors in fertilizer business.

American Beet Sugar.—HIGH SUGAR PRICES, if maintained, would enable Co. to reap amazing profits this yr.—possibly 40% or 45% on common stock. This is based on 7½c. for refined, on which cost of production would be about 3.3c. Last yr. Co. produced over 180,000,000 lbs. and will probably come within 10% of that total this yr. Condition of sugar beet Aug. 1 was 92.4% of normal, a yield of about 10.3 tons per acre. Abandonment is usually about 10%, which would give 4,826,000 tons of sugar beets against 5,659,000 in 1913. On the other hand, we usually import about 16,000,000 lbs. of sugar beet seed yrly., and there is now in the country not more than ⅓ to ⅕ enough seed for 1915 crop. Two years are required to produce beet seed.

American Can.—TINPLATE REQUIREMENTS of Co. are covered for remainder of 1914 by contract with U. S. Steel. Big source of tin supply in British Mines in straits of Malacca, not available until foreign exchange is resumed. Result has been advance from 30c. to 70c. a lb. on tin. This means increase of 50% in cost of making cans and solder is also higher. Co. has not yet advanced prices on cans, but of course will have to do so if present tin situation continues.

American Car & Foundry.—SOUTHERN AMERICAN BUSINESS will be actively sought by this Co. Heretofore Germany, Belgium and England have had things their own way, and have supplied South America with both cars and money to pay for their purchases. Banking facilities are an important part of the problem, as ready cash is scarce there.

American Cotton Oil.—LARGE EXPORTS are expected, and order having been already received from French Government. France will not export Olive oil this yr. and Italian crop is below par, while Spain and Austria have declared embargo on olive oil so that American Cotton Oil is likely to be used as a substitute. Fiscal yr. ended Aug. 31 showed earnings about 3% on common against 3.4% previous yr.

American Hide & Leather.—ANNUAL REPORT shows only 0.8% earned on pref. against 3.6% in 1913. Operations are now about 40% of capacity, against 75% last June, having been curtailed because of the war. Prices have been advanced from 10% to 20%, to keep pace with increased cost of hides.

American Light & Traction.—EARNINGS yr. ended June 30 increased $36,000. Owing to Co.'s policy of declaring 10% in common stock and 10% cash, div. requirements increase each yr. Balance for common equaled 24% on amount outstanding at close of yr. Co. is well supplied with cash and other current assets.

American Locomotive.—ANNUAL REPORT showed very poor business for the year. Total of locomotive orders was $14,454,000, or only 25% of Co.'s capacity, and orders on hand at end of yr. were only $4,162,000 against $17,156,000 at beginning. Orders were taken at very small profit in order to keep plants running. Plants now operated about 29% capacity. Automobile department now mostly liquidated. Balance for common stock 1.3% against 17.7% prev. yr.

American Malt.—EARNINGS for fiscal yr. ended August 31 will justify semi-annual dividend of $1.24 on pfd. stock of sub-Co., American Malting, equal to $2 on American Malt pfd., the holding Co. Current working capital about $5,000,000. Original issue of $4,000,000 bonds will have been reduced through sinking fund to $2,315,000 when the bonds mature Dec. 1 next.

American Smelting & Refining.—EARNINGS for 6 mos. ended June 30 were 3.9% on the common stock, which compares with

4.1% for corresponding mos. of 1913. The properties of the Co. were well maintained, but difficulties of operation were encountered during the Mexican revolution.

American Steel Foundries.—SIX MOS. business ended June 30 resulted in deficit of $188,000.

American Sugar.—BIG RISE in price of raw sugar from 2⅜c. to 5½c. in less than 3 wks. meant not less than $8,000,000 profit to Co., or 18% on the $45,000,000 common stock. The half yr. to June 30 showed considerably more than regular 3½% divs. on stock. Prospects are that Co. will run at capacity for a mo. or two later than usual this fall. Co. endeavored to check advance in prices and its figures have been fully ½c. a lb. below its rivals. There has been a good deal of anticipatory buying and officials believe price must recede, especially when beet sugar crop reaches eastern markets.

American Tel. & Tel.—CONSTRUCTION EXPENDITURES are being cut as result of war. Bell system has received some cancellations in business services. When war broke out Co. had about $50,000,000 cash in treasury and this will be carefully husbanded.

American Woolen.—EFFECT OF WAR has been to shut off foreign competition more completely than any tariff could have done so that Co. now has domestic markets to itself. This is especially important on high grade fabrics where English competition would have been severe. On medium grade goods Co. has more than held its own since new tariff.

Atchison, Topeka & Santa Fe.—CONGESTION OF GRAIN at Galveston is interfering with current earnings, thousands of cars being tied up along the lines. For yr. ended June 30 Co.'s gross was $5,786,000 below last yr., and taxes increased $863,000, but expenses decreased over $4,000,000. Co. earned about 7.5% on $195,000,000 common against 9.5% on $190,836,000 common previous yr. Average mileage operated last yr. gained 158; in five years increase has been 1,113 miles. Very little new work now on hand.

Atlantic Coast Line.—EARNINGS yr. ended June 30 totaled $36,832,000 gross, an increase of $709,000 over prev. yr., but heavier taxes and larger expenditures on maintenance more than consumed this gain so that balance available for divs. was about 10% on $68,558,000 common stock.

Atlantic, Gulf & West Indies.—AMERICAN REGISTRY for foreign built ships would be unjust to this Co., as they cost 33% to 40% less to build than the American ships which exclusively make up Co.'s fleet. Mallory line, for example, has put in commission 2 new steamers costing $1,240,000, or about $340,000 more than if built in England. On this $340,000 of increased capitalization Co. must stand 6% int., 4% depreciation and 3% marine insurance, or $44,000 yrly., which must come out of operating expense of the two steamers before Co. can be placed on equality with foreign built boats.

Bangor & Aroostock.—ANNUAL REPORT shows 6.4% earned on common against a deficit in 1913, 2% in 1912, and 5% in 1911. Crop reports show that Aroostock potatoes have biggest acreage and best conditions on record and the hay crop is big.

Bethlehem Steel.—GOOD BUSINESS is reported, not much affected by war, but Co. has stopped all extension work. Departments are running pretty full.

Boston & Maine.—RECEIVERSHIP RUMORS continue to circulate, but friendly reorganization is hoped for. Co. has no large nearby maturities, but $22,000,000 notes fall due next March. New money must be raised, but common stock could hardly stand the assessment. Certainly New Haven, owning majority of B. & M. stock, is in no position to furnish its pro rata.

California Petroleum.—HIGH RECORD PRODUCTION was reached in July, about 580,000 bbls., increase of 100,000 bbls. over July, 1913. Oil prices have declined and Co.'s revenues will probably be about the same as last yr.

Chesapeake & Ohio.—DIV. POSTPONED until Nov. at any rate. Directors say "Unexpected increases in wages and taxes since 1910 now aggregate about 4½% yrly. on stock and Commission's refusal of rate increase was disappointment. Yr. ended June 30 shows 4.7% earned on stock. New development of coal properties has been active this yr. and it is believed coal exports through Newport News will be much augmented. It is hoped that by November trade conditions can be more accurately diagnosed. Under present war conditions extreme conservatism is imperative."

Chicago Gt. Western.—ANNUAL REPORT shows net earnings of $3,429,000 against $3,740,000 prev. yr., or 2.2% on pref. against 3.3% last yr. Expenses increased about $600,000.

Chicago, Milwaukee & St. Paul.—GROSS EARNINGS for yr. ended June 30, declined $2,300,000 from prev. yr., but operating expenses were reduced about $1,500,000. Maintenance of way was about the same as in 1913, but maintenance of equipment was cut $750,000. Grain is moving freely and August car loading showed substantial increase over 1913, but westbound traffic is light. Earnings on common stock last yr. 6.3%, against 8.6% in 1913.

Cities Service.—EARNINGS 12 mos. ended July 31 were $3,543,000 gross against $1,487,000 prev. yr.; $3,446,000 net against $1,412,000. Surplus for common stock equaled about 11.7% against 10.2% prev. yr. However, div. payments on both pfd. and common were suspended Aug. 1, owing to unsatisfactory condition of financial and commercial markets.

Consolidated Gas.—CONTRACT FOR GAS OIL with Standard Oil Co. has been extended to Dec. 31, 1916, in order to get a reduction of about 2c. a gal. Saving for last half of 1914 will be about $1,000,000, or 1% on Co.'s stock and 2% yrly. in 1915 and 1916.

Corn Products.—BIG DEMAND FOR GLUCOSE is expected as result of high sugar prices brought on by European war. Co. has notified customers that, owing to high price of corn, advance must be made in Karo syrup. Co will be satisfied if it earns small margin over preferred divs. this yr.

Distillers Securities.—ANNUAL REPORT for yr. ended June 30 showed net profit of $701,000, all of which was carried to surplus, as no divs. were paid. This equals about 2.3% on stock against 1.2% prev. yr. Early in 1914 price of spirit was down to $1.30 and even lower as result of trade war. It has now been advanced to $1.44 and plants are operating at capacity. This is chiefly due to proposal to increase tax, but smaller imports and higher price of grain have also had influence.

Erie.—EARNINGS have decreased so far in 1914 fiscal yr. Gross has fallen about 2.8% and net 22.6% as compared with last yr. Freight tonnage was 38,125,000 against 40,987,000 in 1913. Decrease was spread over practically all classes of traffic.

Federal Mining.—DIV. REDUCED on pfd. from 1½% quarterly to 1%, owing to stagnant condition of metal market.

Ford Motor.—OUTPUT 12 mos. ended Aug. 1 was 221,888 cars against about 185,000 prev. yr. This increase of 20% in sales was remarkable in view of unsatisfactory general business conditions. Dodge Bros., recently organized with $5,000,000 capital, will soon prove formidable competitors, as they will market a new popular priced car that it is said will furnish Ford the first real rivalry it has had to meet.

General Chemical.—NO CHANGE of importance in Co.'s business since war began. Co. is well supplied with nitre and no curtailment is expected.

General Electric.—SHARP DROP in business as result of war. Factories have been running about 70% of capacity, but may now go on 4 days a week basis. Co. earned its regular 8% div. on stock during first 7 mos. of yr. Directors are not exuberant over prospect of additional trade from either Europe or So. America, but have hopes of more business from Australia, Africa and Japan.

General Motors.—FISCAL YR. ended July 31 showed total of about 58,000 cars manufactured, and clean-up was closest in Co.'s experience, less than 500 cars being unsold. Output in 1913 was about 55,000 cars. Profits last yr. about 40% on common stock, substantially the same as in 1913. Co. feels sure of its American market, but exports are uncertain. Demand for war purposes may be considerable. New selling policy put into effect Jan. 1 in truck department has been successful, as shown by large increases in sales.

Interboro-Metropolitan.—ANNUAL REPORT shows surplus after all charges and disbursements of $1,860,000 against $788,000 last yr. This equals 4.1% on pref. stock. Co. received $5,086,000 divs. from its sub-Co., I. R. T., but earnings of I. R. T. available for divs. were $8,024,000, and if the entire amount is figured as applicable on Inter.-Met. pref. earnings on the latter would be 10.5%. Its divs. are about 35% in arrears, but no divs. are probable now, in spite of large earnings of I. R. T., since, under contract with City of New York, system must raise $160,957,000 new capital before end of 1916.

Interborough Rapid Transit.—GROSS INCOME yr. ended June 30, was $33,515,000, a gain of $1,017,000 over high record of 1913; net was $8,024,000, or $1,487,000 over prev. yr. This equalled 22.9% on stock, against 15% divs. paid during yr. Passengers carried were 651,886,000, an increase of 17,570,000 over 1913. Increase underground was 12,941,000, and on elevated lines 4,628,000. (Sub-Co. of Interboro-Met.)

International Agricultural Chemical.—YEAR'S SUPPLY OF POTASH on hand, is the report of this Co. No other fertilizer Co. has more than 3 or 4 mos. Supply from Germany is now cut off, hence International will be able for a year to come to make fertilizers on its usual formula, while others will doubtless have to reduce proportion of potash. Annual report will show net profits last yr. about 80% or 90% better than prev. yr.

International & Great Northern.—FISCAL YR. ended June 30 showed deficit of $448,000 against surplus of $323,000 in 1913. Loss was due to falling off of 11.7% in gross revenues, largely as a result of Mexican situation. Officials report that outlook for coming yr. is encouraging.

International Harvester.—EFFECT OF WAR will be serious on Int. Harv. Corp., which is the foreign branch, as it holds millions of notes for implements sold in Russia and other European countries. Payment may be much delayed. Jan. 1 last Corporation carried bills receivable of $42,000,000, with total sales during 1913 of $51,600,000. American branch, Int. Harv. Co., had about $40,000,000 bills receivable and sales of $66,600,000. Previous to 1913, Int. Harv. Co. had $80,000,000 common stock and $60,000,000 pfd. stock, but after government suit began in Apr., 1912, Co. in Jan., 1913, was divided into two concerns of equal capitalization and each one-half the old Co., one for domestic business and the other for foreign. Recent court decision requires old Co. to divide into three independent Cos., so that one more Co. will have to be formed.

International Nickel.—CURTAILMENT has been found necessary to meet situation resulting from war. Domestic demand continues good. Lower price for copper, which is an important incidental product of Co., will reduce margin of profits.

International Steam Pump. — RECEIVERSHIP was necessary owing to inability of Co. to get enough business. Plants have not been operating anywhere near capacity, hence costs were proportionally higher. Competition has increased as efficiency declined. A statement showing position of Co. will shortly be issued. Director says that banks have assured assistance in continuing operation of affiliated Cos., which are not affected by receivership.

Kresge (S. S.).—SALES for 7 mos. ended July 31 were $8,125,000, an increase of 24% over prev. yr. July sales were 22% over July, 1913.

Lehigh Valley.—ANNUAL REPORT showed surplus of 11.6% for common stock. Excluding the special div. from Temple Iron Co., balance would have been 10.5%. Operating ratio was 69.4% against 67.6% in 1913. This ratio has risen from 60% in 1910, in spite of steady development in operating efficiency. For example, from 1906 to 1914 earnings per freight train mile rose from $3.15 to $3.82 and per passenger train mile from $1.02 to $1.10. Average train load rose from 503 tons in 1906, to 599 tons in 1913, but dropped to 595 tons in 1914. Co. paid divs. on common stock from 1858 to 1893. Payments were resumed in 1904 and raised to 10% in 1911, but in three out of last five yrs. per cent. earned for common has not much exceeded the 10% divs. In view of recent Rate Decision, there may be cause for apprehension regarding maintenance of present divs. Also it may be compelled to sever relations with Lehigh Valley Coal as result of Government dissolution suit filed last March. However, price of 122, July 30, had already discounted reduction of div., which is by no means certain.

Louisville & Nashville.—EARNINGS for yr. ended June 30 equaled about 10.2% on stock. Net earnings were smallest for 6 yrs., during which gross had gained $15,000,000. Decline in net last yr. was nearly all due to increase in taxes, which amounted to $2,600,000, an increase of 47.6% over 1913. Operating expenses were $28,000 less than prev. yr. and maintenance of way was cut $1,709,000. As maintenance has been very large on this road, this cut was entirely justified. Maintenance of equipment, however, increased $1,022,000 over 1913.

Missouri Pacific.—PROTECTIVE COMMITTEES representing both bondholders and stockholders will confer in regard to financial readjustment. Kuhn-Loeb say: "Fixed charges have become decidedly too heavy in relation to earnings and in proportion to equity of stock. Co. needs for next 2 yrs. $10,000,000 in addition to $25,000,000 for payment of notes. This ought not to be obtained in any manner which would increase fixed charges." Understood that issue of pfd. stock has been suggested, to be offered stockholders and bondholders. Earnings for 1914 fiscal yr. were 0.1% on stock against 1.9% last yr. Gross earnings were $59,793,000 against $62,155,000 in 1913. Net earnings fell off about $1,000,000.

National Biscuit.—SALES have not been affected by the war, but high prices for flour may reduce profits, as Co. uses 1,500,000 bbls. yrly. However, Co. is always covered mos. ahead with flour. Also uses large quantities of sugar and chocolate, on which increased cost may prove relatively more burdensome than in flour. One effect of war has been to cut off importation of fancy foreign crackers such as Huntley & Palmer. Co. has had inquiries from abroad for army biscuits, but at last reports had not closed any contracts.

New York Air Brake.—GOOD EARNINGS are reported by Pres. Starbuck, much above last yr. Unfilled orders now over 20,000 sets of brakes, enough to keep plants running full time remainder of yr. Raw material has been purchased at reduced prices, but there has been no decrease in price of brakes.

New York Central.—ONE YR. NOTES, of which $5,000,000 5% matured Sept. 15, were renewed at 7%. Additional $12,000,000 notes matured Nov. 5. Gross earnings have fallen off very sharply, but beginning with June expenses were reduced, so that outlook for continuance of current div. rate is by no means hopeless. Believed earnings last three mos. of 1914 will compare favorably with 1913, and if Co. is allowed to increase passenger rates, as petitioned, divs. should be out of danger.

New York, New Haven & Hartford.—SURPLUS for yr. ended June 30 was about $270,000 above charges. In spite of war conditions Co.'s traffic in August was only about 3% below Aug., 1913.

New York Railways.—EARNINGS applicable on adj. mtg. bonds 6 mos. ended June 30 were 1.2%.

Norfolk & Western.—ANNUAL REPORT shows increase of 1.6% in gross over 1913, but operating costs increased 4.8%, making decrease in net of about 4.2%. Electrification from Bluefield to Vivian, W. Va., thirty miles, will be completed for operation next Jan. Surplus available for common stock was 8.7% against 10.1% prev. yr.

Northern Pacific.—FISCAL YR. ENDED June 30 showed 7.9% earned on stock against 8.7% prev. yr. Difference would have been considerably larger but for operating economies. Taxes were about $1,000,000 larger, an advance of over 25%. The short crop in North Dakota last fall and decrease in shipments of construction materials, were principal causes for decline in gross. Prospects are better this yr. Total

maintenance charges were $1,300,000 below 1913, but were heavily in excess of 1912. Transportation costs were $1,800,000 below 1913, largely as result of reduced gross business.

Pacific Gas & Electric.—LARGE SUBSCRIPTIONS to offering of $12,500,000 6% 1st pfd. stock at 82½. Subscriptions were from more than 3,000 persons, many of them new holders of Co.'s securities. Number of stockholders has doubled since close of last fiscal yr. Earnings of Co. continue good and steady reduction is being made in operating costs. Net earnings for July were $212,000 over July, 1913.

Pacific Mail.—EXISTENCE THREATENED, in case Interstate Commerce Commission refuses permission to continue coastwise trade to Mexican ports, according to statement of Co.'s general manager. The Oriental business would become unprofitable if coast steamships were discontinued.

Pennsylvania R. R.—NET EARNINGS for calendar yr. 1914 will be about $5,000,000 less than 1913, if present rate of shrinkage is continued. The 6% div. rate is not seriously threatened.

Pittsburg Steel.—DIV. PASSED on pfd. stock. Official statement says "Directors decided to defer div. for purpose of conserving cash resources and protecting its credit in the uncertain conditions growing out of European war. Div. has been more than earned in past 3 mos."

Republic Iron & Steel.—PREF. DIV. postponed, owing to unsettled conditions. Earnings 6 mos. to June 30 were less than 2.5% on pfd. stock, against nearly 8% in corresponding mos. of 1913. This was due to general effect on business resulting from tariff reductions, etc. Selling prices of principal products were reduced about 20% and contraction of Co.'s business was about 33%. Shrinkage in unfilled orders from June 30, 1913 was over 50%. However, unfilled orders for both steel and pig iron showed large increase over Dec. 31, 1913.

Republic Railway & Light.—CONSOLIDATION of underlying Cos., to bring them so far as possible under one operating organization, will result in reducing expenses of operation and taxes. Net income for June increased 17.7% over June, 1913, and gross earnings for 12 mos. ended June 30 showed a gain of 8.8%, net earnings 11.4% over prev. yr. Amount applicable to divs. on common was $194,000, a gain of $52,000, and equal to 3.1% on stock.

Rock Island.—CAR LOADING 1st half of August was encouraging, total being 59,877 against 55,318 for corresponding period of 1913. As preliminary step in reorganization, Central Trust Co. as trustee has brought foreclosure proceedings against C. R. I. & P. Railroad Co., stating that interest now in default is $1,426,000.

Seaboard Air Line.—FISCAL YR. ended June 30 showed net earnings after taxes $135,000 higher than 1913 and $1,256,000 over 1912. However, int. on funded debt was $3,535,000 against $3,272,000 in 1913 and $3,146,000 in 1912; hence, the 1914 surplus was equal to only 7% on pfd. stock against 7.2% in 1913 and 3.4% in 1912. Co. is financed for the next 2 yrs., which places it in a favorable position in view of the war. Maintenance of way and structures was $80,000 over 1913, equipment $66,000 over; transportation expenses have been kept under control, ratio to gross being 36.3% for 1914, 1913 and 1912.

Sears-Roebuck.—SALES for Aug. and Sept. show a considerable increase, especially in grocery lines. Catalogues are issued to 1,000,000 people every 2 mos., and July 1 prices remain in effect until well into Sept. Next catalogues will have to carry higher prices, but Co. was protected in advance on the July schedule.

Sloss-Sheffield.—SALES of pig iron first half of Aug. were far in excess of production and represented nearly capacity for full mo. Prices show no improvement, but were firmly held. Co. was exceptionally fortunate in volume of business received.

Southern Ry.—PREF. DIVIDEND postponed, in view of disturbance to cotton market caused by foreign war. Div. has been fully earned, but consideration of subject was put over for 1 mo.

Temple Iron Co.—DISSOLUTION of this Co., under court decree, has resulted in a div. of 120% out of accumulated earnings. This gives Lehigh Valley $685,000, Lackawanna $584,000, and the various Reading sub-Cos. as follows: Reading $337,000, Reading Iron $353,000, Reading Coal & Iron $24,000, Jersey Central $512,000. Erie also gets about $400,000.

Texas Co.—ANNUAL REPORT yr. ended June 30 shows net earnings on $50,000,000 stock, 15.5% against 24.7% prev. yr. Reduction is chiefly accounted for by increased operating expenses, taxes and insurance, these expenses being $18,171,000 against $13,838,000 prev. yr.

United Cigar Stores.—DIVS. declared so far in 1914 by the sub-co., Cigar Stores of New Jersey, are nearly enough to take care of entire div. requirements of parent Co. for 8 mos. This means that divs. from the other 2 sub-Cos. and from various real estate Cos. owned, will either be held as surplus by operating Cos. or added to surplus of parent Co.

United Fruit.—AMERICAN REGISTRATION will not include all of Co.'s 43 boats. It is not expected that boats operating in the English and European service will drop their British registration. The war has disarranged Co.'s European business, which had been very profitable. Hence, Aug. and Sept. earnings are likely to be poor. On the other hand Co. will realize an unusual profit on sugar—perhaps $1,000,000 for the yr.

U. S. Steel.—DIV. PROSPECTS are being discussed, since in 1st half of yr. deficit after divs. was over $11,000,000. For current quarter deficit is likely to be perhaps $4,000,000, and in view of the war it may be $20,000,000 for the yr. Co. is well supplied with cash, holding about $60,000,000. Balance to credit of various funds amounts to nearly $100,000,000, but policy of Co. has always been to conserve resources. New orders are showing some decrease, but prices are holding well. Unfilled orders increased 54,742 tons in Aug. Large consumers in So. America and Australia are reported as beginning to establish bank credits at New York instead of in Europe and it is believed that increased export trade will be permanent feature.

Virginia-Carolina Chem.—FIS. YR. ended May 31, showed better net profits than for past 3 yrs., 3.4% for stock. As a result of increased business and high cost of materials the Co. had to borrow more than usual and interest of these loans reduced profits somewhat. Since close of yr. Co. has sold $5,000,000 debenture bonds to take up outstanding notes.

Vulcan Detinning.—PRODUCTION 1st half of yr. showed an increase of $84,000 over 1913. Deficit for period was $24,000 against deficit of $131,000 in 1913.

Western Maryland.—IMPROVED CONDITIONS are being shown in all departments. The new management is getting traffic and transportation affairs well in hand, as shown by heavier train and car loadings. Train mile earnings have been increased about 50c. in the past few mos. and are now the highest ever reported. Last yr.'s deficit of $2,500,000 was due to special causes and is not likely to be repeated this yr.

Western Pacific.—BOND INT. will be paid as usual by Denver & Rio Grande Sept. 1, but management says that adjustment of Co.'s finances and relation of D. & R. G. thereto must be devised. Bankers hope to adopt a plan which will restore Co.'s credit and provide for its development and at the same time lighten the burden of D. & R. G. under its guaranty of interest payments.

Westinghouse Electric.—EFFECT OF WAR will be felt by Co., which has large investment in sub-Cos. in England, France, Germany and Italy, but current 4% divs. on common stock will probably not be endangered. Loss of even $500,000 in foreign income would amount to only 1.5% on stock and in fiscal yr. ended Mar. 31 last, earnings were 11%, while current earnings are running about twice div. requirements.

Wheeling & Lake Erie.—FIS. YR. ended June 30 was encouraging. In spite of depression and reduction in coal trade, gross earnings decreased only 2.5% from 1913 and were 1.9% over 1912. Maintenance was reduced about $650,000, permitting an increase of $416,000 in net, but property appears to have been well maintained. There has been constant increase in operating efficiency. Co. is now carrying 121 tons more in each train load than 4 yrs. ago, 100 tons more per locomotive mile and 4 tons more to each loaded car run.

Woolworth.—SALES Jan. 1 to Aug. 31 were $41,161,000, or an increase of 6.6% over same mos. of prev. yr.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Alaska Gold.—The developments on the 13th of "Sheep Creek" level continue of a remarkable character. Assays run all the way from $1 to $100 per ton, with a very large quantity of coarse free-gold showing in face. The power development scheme is now practically completed; the dam has been finished.

Anaconda.—Directors meet shortly for div. consideration. Divisible profits have disappeared almost to the vanishing point. If Anaconda is earning 50c. a share, such calculations can be reached only by over-estimating probable output, and under-estimating probable cost. The cost being at least 11c. On present metal market this would provide a profit of 1½c. per lb., or $1,800,000 per an. on an output at yrly. rate of 120,000,000 lbs. This is equal to less than 40c. per share, of which the Amal. Co. owns something over 3,000,000. With Anaconda's $3 div. receipts, Amal. has been paying $6, the latter being assisted by $600,000 commission on the sale of copper by the United Metals Selling Co.

Braden Copper.—Produced 920 tons of fine copper in first half of Sept., making a high record for fortnightly output. If Co. could continue that rate it would produce 44,000,000 lbs. of copper per an.

Butte & Superior.—Spelter in a few days has risen from 4.70c. to 5.70c. a lb. A one-cent advance means a 100% increase in net earnings, as cost is now down to about 4c. per lb., with concentrates running very high, or, say, about 55% zinc. Co. is not considering restriction of operations, and intends to hold its place as the world's largest zinc producer with an output of 10,000,000 lbs. of zinc in concentrates per mo. The one-cent advance in market price of metal should mean added profits at rate of $800,000 per an., or $3 per share on the 271,000 shares. Co. also produces over 2,500,000 ounces of silver annually, and today must be earning at rate of $5.50 per share, so there are no doubts of the ability to continue $3 divs., war or no war.

Calumet & Arizona.—Passed the div. ordinarily paid latter part of Sept. Last quarterly payment June 23 at the rate of $5 per share per an. Directors hope to make some distribution in Dec., provided the situation improves. Production curtailed 50% so that output is now about 3,000,000 lbs. per mo. against normal of 6,000,000. Earnings now cannot be greatly in excess of $2 per share.

Calumet & Hecla.—Directors say: In view of unsettled conditions and interruption with its foreign customers, Co. has decided not to declare a div. at the present time. Production will be curtailed, and wages and salaries of all employees and officers reduced. It is planned to continue operations on three-quarter time rather than to discharge any large number of men.

Chino.—Declared a quarterly div. of 50c. per share, payable Sept. 30, to stock of record Sept. 16. Co. has been placed on an operating basis of about one-half, which will continue until the situation warrants a change. All operating conditions are excellent and financial position of the Co. is strong.

Granby.—Deferred quarterly div. of $1.50 due at this time.

Greene-Cananea.—Plant at Cananea has closed down with exception of the mercantile department, which operates Co.'s store. The smelter and concentrator have ceased operations, and even development work has been suspended. During July, there was produced from Greene ores 733,486 lbs. of copper against 3,434,512 lbs. in June and 1,784,000 lbs. in May.

Goldfield Con.—Estimates for July: Production 24,573 tons; gross $314,000; expenses $15,000; net $159,000. The net profits for the quarter ending Oct. 31 next are expected to show a material increase, as a result of the general clean-up of mill equipment that will continue during most of this period. It is estimated that the clean-up will yield at least $100,000 for the quarter. Operations at the "Aurora Consol." property are progressing favorably. Co. has given up its option on the "Elko-Prince" property after a thorough examination and sampling. The price asked was too high and negotiations may be reopened on a different basis.

Hollinger Gold.—Net profits of $132,712 for 4 weeks ended July 15 against $129,168 for preceding period. The average value of ore per ton was $13.62 and costs per ton $4.32. Co. has just paid its 25th div. Profits from Jan. 1 to Aug. 12 were $1,015,451, of which stockholders received $720,000. Gross profits for 4 weeks ended Aug. 12 were $171,976. The mill treated 16,456 tons of ore, average value $15.46 a ton, extraction 94.4%.

Nevada Con.—From beginning of operations to June 30, 1914, Co. has produced 335,963,944 lbs. of copper, which, at average price of 13.85c., gives total valuation $46,604,062. Of this $21,763,512 has been saved, as net earnings of $14,227,454 has been paid as divs. That is, only two-thirds of total net earnings have as yet been distributed in divs., the balance having been either charged to ore extinguishment, depreciation or left in undivided profits. Div. deferred for quarter ending Sept. 30.

Nipissing.—In July produced ore having estimated value of $211,506, and shipped bullion and custom ore of estimated net value of $231,858. During the mo., assays of ore from the 900 level at shaft No. 64 were much higher than ore taken from the upper level, and this fact is significant. Co. made net earnings of $131,847 in July. Co. has declared regular quarterly div. of 5%, payable Oct. 20 to stock of record Sept. 30. Three mos. ago the "extra" of 2½% was omitted. That was a temporary mine condition, and an improvement in earnings almost immediately set in. Co.'s cash position during past quarter has improved. Co. has taken an option on the McIntire property in Porcupine.

Ray Con.—In spite of drop of half a cent in price of copper, net profits rose from $922,000 to $1,003,000. As compared with corresponding quarter of prev. yr., results are startling; an output of 19,000,000 lbs. as against 13,500,000, and profits of over $1,000,000 as compared with $727,000, a gain of 40%, in spite of the fact that, in later period the average price of metal was 1c. a lb. lower. In last 2 mos. of quarter, Co. showed cost of less than 8½c. a lb. With copper at less than 14c. Ray earned, during this quarter, at the rate of $2.50 per share. Co. on an o erating basis of one-half capacity, which will be promptly increased whenever situation warrants. The temporary depression therefore should not be alarming.

Stewart.—Reports for 6 mos. ended June 30, profits $537,230; divs. paid $247,672; balance $289,558; balance Dec. 31, 1913, $815,808. Suplus June 30, 1914, $1,105,366. The profits for the above 6 mos. ended June 30

were calculated after making adequate provision for development and depreciation.

Tennessee Copper.—Has departed from ranks of a strictly copper producer, the red metal being considered more or less a by-product. Some time ago Co. adopted policy of making quarterly, rather than semi-an. disbursements, the rate being established at 75c. a share, or $3 a yr.

Tonopah Extension.—Has opened a rich body of ore, the vein being 16 ft. wide and yielding as high as $100 a ton. Aug. shipments valued at $116,300, indicating net earnings for mo. between $70,000 and $75,000. July earnings were $51,000 and June $28,500. Average value of ores extracted about $30 a ton. Co. declared a quarterly div. of 7½%, payable Oct. 1 to holders of record Sept. 10. In July Co. paid a total of same amount, including 2½% quarterly, 2½% extra, and 2½% special.

Utah Copper.—In connection with recent declaration of regular quarterly div. of 75c., it is shown the Co. has quick assets of $6,000,000—mostly copper on hand—and only $1,000,000 of debts. Even on a 50% operating basis, Utah Copper can earn $2 per share on 12½c. copper without any div. from Nevada Con., which it controls. With restoration of Nevada Con. div., it can show its $3 div. outgo more than covered by income. The Guggenheim interests who have the sale of the copper, and who are under contract to advance funds whenever called upon, up to 80% of value of undelivered copper on hand, and having for a long period earned twice the divs. paid, Utah was fully justified in continuing the regular rate.

Wolverine.—Notwithstanding high cost of production of 11.72c. per lb. for fiscal yr. ended June 30, during the closing 3 mos. of that period, Co. succeeded in materially lowering cost from 9.78c. in April to 8.89c. in succeeding mo., and 8.13c. in June. Annual report, just issued, contains new data, which includes statement that production to June 30 totaled 137,410,732 lbs. of copper, which realized on sale $19,506,940, and from which $7,740,000 was disbursed to stockholders in divs. A comparative statement for last 3 mos. shows a constantly increasing tonnage of rock and higher recovery, the yield in April having been 18.67 lbs. per ton, while in June it jumped to 21.12 lbs. Co. has declared a div. of $2 a share, payable Oct. 2.

Railroad Balance Sheet Indicator

IN the accompanying table an analysis of the security reserve of the companies shown in the graphic indicates just how each stands. The Pennsylvania has enormous amounts of securities which it holds, but of course little or none of these would ever be offered for sale since it is the control of these underlying companies (of which there are more than one hundred and twenty-five) that makes the road a great system.

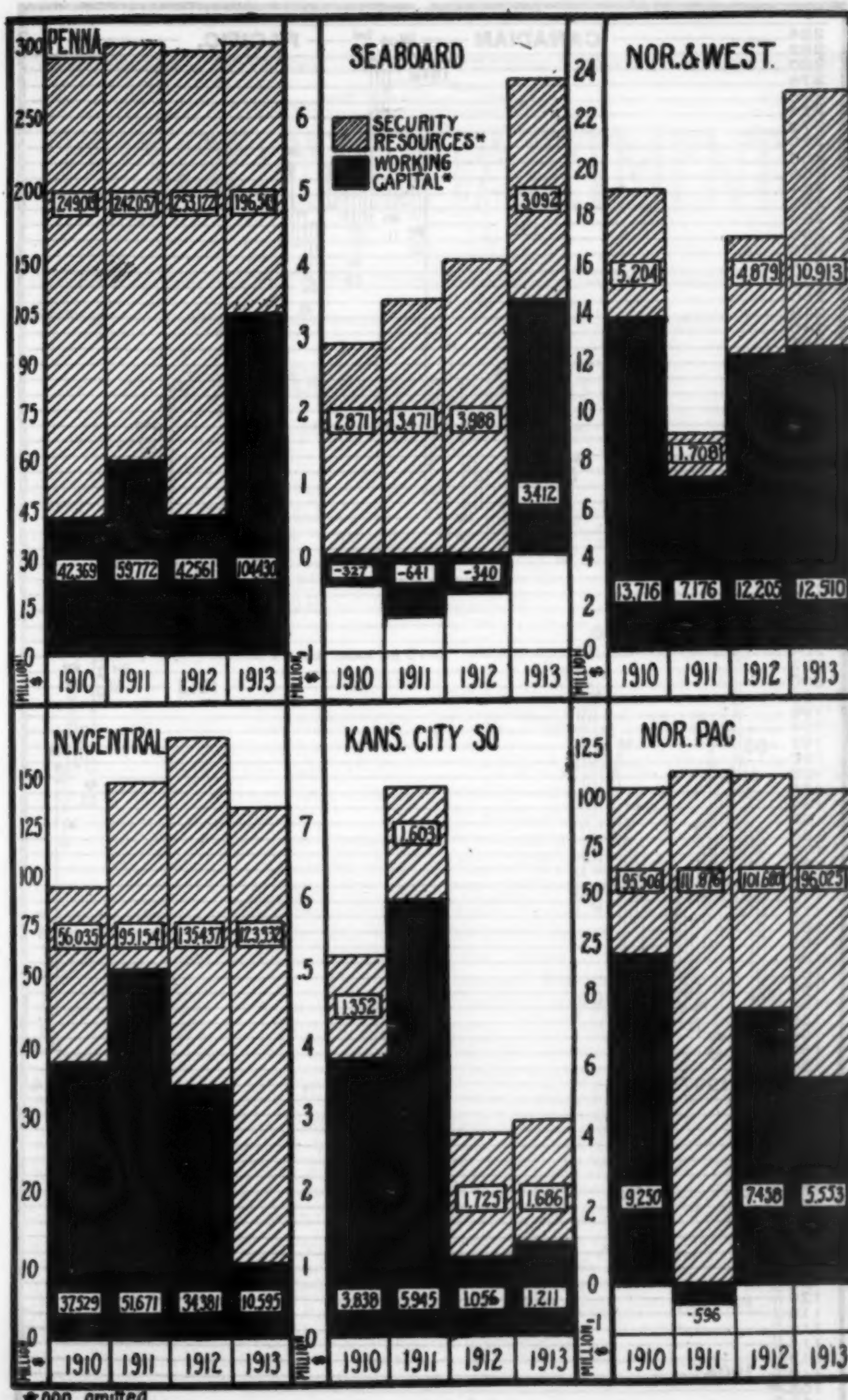
The same may also be said of the New York Central as well as Northern Pacific.

It will be noticed that the Central, the Seaboard Air Line, Kansas City Southern, and Norfolk & Western, are very poor in securities of their own available for sale.

The varied aspect that these different roads present is due partly to the credit position of the roads and partly to the policy followed in developing each system.

	Company's securities available for sale (par value).	Securities held for perm. investment or control (not pledged).	Permanent advances for property Investment.	Miscellaneous marketable securities (cost or book value).
Penna. R. R.	$1,709,530	$117,745,496	$5,272,158	$71,815,846
New York Cent.	....	42,473,120	*53,991,934	26,866,629
Nor. Pacific	13,60,500	47,757,256	22,642,067	12,065,080
Nor. & West.	393,200	1,461,442	228,496	8,829,890
Sea. Air Line	1,602,500	1,489,470	....	....
Kan. City So.	40,100	480,939	1,164,980	....

*The large advances shown by the New York Central are made up of $32,337,199 advanced to the Grand Central Terminal Improvement Co. and $20,252,795 to the Harlem Railroad Co. over whose tracks it comes into the Grand Central Station.


PENNA
SEABOARD
NOR. & WEST.
N.Y. CENTRAL
KANS. CITY SO
NOR. PAC
SECURITY RESOURCES*
WORKING CAPITAL*
MILLION
1910
1911
1912
1913
249,009
242,057
253,122
196,561
42,369
59,772
42,561
104,430
2,871
3,471
3,988
3,092
-327
-641
-340
3,412
5,204
1,708
4,879
10,913
13,716
7,176
12,205
12,510
56,035
95,154
135,437
123,932
37,529
51,671
34,381
10,595
1,352
1,603
1,725
1,686
3,838
5,945
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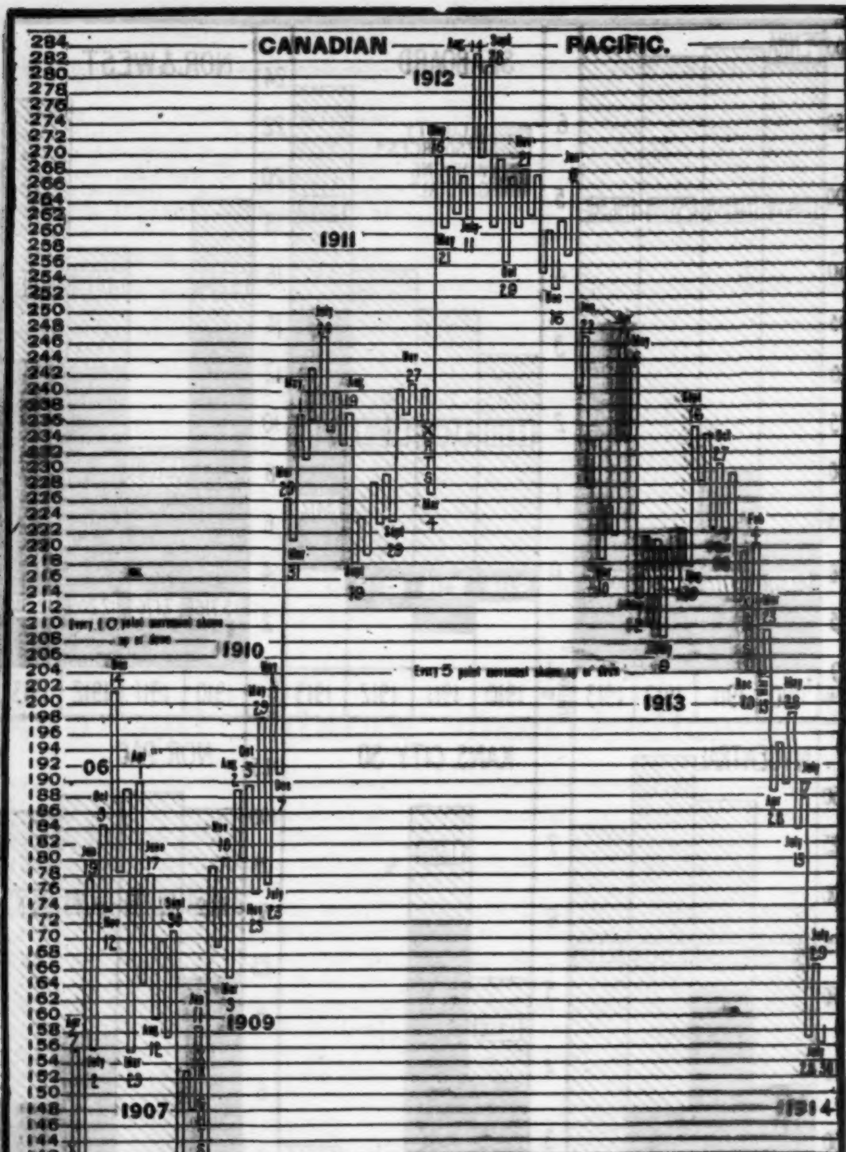
95,506
111,876
101,680
96,025
9,250
-596
7,438
5,553

*000 omitted.


CANADIAN PACIFIC.
1904
05
06
1907
1908
1909
1910
1911
1912
1913
1914
Every 5 point movement shown up or down

TRADERS DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

The Wheat Situation

By JULIUS J. STRASBURGER

WITH a myriad of hands outstretched toward the United States, literally the whole of Europe, in mute fashion, is asking for our wheat. Never before in history has this commodity been so appreciated and regarded so preciously. This manifestation of interest permeates every quarter, from the producers on the humblest farms, through the various handlers, commission merchants, speculators and consumers down to the household where the shrinking size of the loaf attests dramatically to the far-reaching effects of the struggle across the sea.

No person should point an accusing finger at the so-called wiseacres and students of the wheat market or blame other than the operation of the supply and demand principle for the spectacular rise that has been witnessed in this much sought cereal. The advance of about fifty cents a bushel is really without precedent. Manipulation by daring factions has in the past caused wheat to sell at $2.00 a bushel, this occurring in the "Old Hutch" year of 1888, but tactics practiced then, and in some of the late years are now forbidden under the heavy hand of justice. The present value of wheat has been established without the distinct taint of money influence. Wars invariably enhance wheat values; yet this amazing uprush of prices is unparalleled, in conformity only, with the chaos in Europe.

Those who make a profession of discerning and anticipating wheat fluctuations had been pleasantly engaged during the spring until mid-July in working for a decline. Quotations were hammered until they were lower than for a decade. The markets receded and relapsed until wheat commanded only 55c. to 65c. a bushel on the farm. A plethora of winter wheat blinded consumers and speculators alike, but the farmer did not become hysterical or sell much of his production at that uninviting basis.

It was the sudden shift of fate that speedily changed the scene of dismay and comparative poverty to opulence for the wheat grower. The country gave forth a formidable yield that would have been undeniably burdensome under ordinary circumstances. Through the states of Kansas, Nebraska, Iowa, Oklahoma, Texas, Missouri, Illinois, Indiana, Ohio and Kentucky and some other less important sections there had been harvested 675,000,000 bushels of wheat. This prodigious total was actually 130,000,000 bushels in excess of the best previous record which incidentally was made in the preceding year. And in the northwest there have been raised 225,000,000 bushels, which represent an average outturn. Unquestionably, this 900,000,000 bushel crop would have precluded an era of high prices had it not been for the double catastrophe in Europe in the shape of the battling of powerful nations and the failure of the foreign crops.

Russia did not come within 150,000,-

000 bushels of her last season's results. Canada is 75,000,000 below and Austria-Hungary is 40,000,000 under the normal. Unsatisfactory results in other outside countries make the aggregate shortages of foreign wheat approximately 300,000,000 bushels. This vast quantity is counterbalanced by the colossal surplus available from the United States.

Already Europe has taken or contracted for close to 80,000,000 bushels. The demand frequently seemed insatiable. Methods of purchasing are singular and significant. Foreign governments have come into possession of immense lots, seldom quibbling over five or ten cents a bushel when such a gap lay between the buyer and seller. Gentlemen from virtually every European country came personally to New York to buy grain and await developments. Very private terms were specified in nearly all transactions, and it is universally agreed that the assimilation of wheat for European account would have attained more startling proportions had the foreign exchange market been miraculously spared of demoralization and derangement, and had ocean traffic been less hazardous.

Should the war continue for another few weeks, Europe is expected to make inquiry for nearly every bushel of wheat that America might offer. The farmer is well aware of this possibility. He has seen the value of his wheat crop leap $400,000,000, and the gain in all crops multiply to the stupendous sum of more than a billion; yet wheat is sold reluctantly, and he realizes the inherent power of his whip hand. The speculative element has of course profited in cases, but not many fortunes have been amassed despite the terrific ascension of the wheat market.

The Stock, Cotton, and Coffee Exchanges have been adjourned since the inception of the European conflict, thus causing a focusing of the eyes of the speculative fraternity on grains. However, the commission house managers in Wall Street, La Salle Street and at other centers were scrupulous in their terms to customers and the public to trade in the market that was wild and violently moving on many days. Heavy marginal deposits were exacted, making it necessary for the traders who had been accustomed to dabbling in 20,000 to 100,000 bushel lots to resort to 5,000 and 10,000. Enforced restriction of this character also eliminated an army of the small traders. With nearly everyone who knew anything about wheat frantically bullish a great majority was therefore involuntarily idle, simply looking on, while the price steadily climbed to dizzy heights.

The uncertainty lurking over next season's foreign crops imbues American wheat holders with indomitable courage. Seeding time in Europe is at hand. The men are at war and women and children will be pressed into service to cultivate and sow fields. Much land will be abandoned, and it cannot be presaged what the conditions will be at harvest time, assuming that nature will be ordinarily kind to the plant while it is growing. The rye crop in Europe is more important than the wheat, and the fact that nearly three billion bushels of the five and a quarter billion raised come from the soil of the fighting powers is bothersome to all concerned. Meanwhile the American grower not only holds to his wheat tenaciously, but in expectation of highly remunerative returns, preparations have been made for the largest area ever given over to this grain.

Conversely, while the farmer is enriching himself, the domestic consuming public is pinched. In order to alleviate the pang of higher living costs some authorities have rather unwisely and not impartially attacked the westerners for their indisposition to sell their own wheat. It might have been the other way. The cotton grower, for instance, is now desperately seeking the aid of the government and laboring on other suggestions for the storing of the surplus outturn made onerous by the curtailed consumption resulting from the war. Still there is an innate hope that wheat owners will view the situation humanely and prevent famine prices in the food-stuff—rightfully termed the staff of life—but the misinformed agitators will gain little by their antagonistic stand unless the root of the cause is struck. The nucleus of the entire affair is the cataclysm in Europe which is aggravated by disappointing crops.

And because of this latter feature, the advent of peace would not necessarily imply a drastic wheat-price decline.

A barrel of flour has commanded about $7.50 against about $4.50 not long ago. Intimidation of our home users accelerated the advance. Bakers and families purchased for their future requirements fearing further increases in the costs. The mills have beeen deluged with orders, many of unbelievable magnitude, emanating from distant countries where the manufactured stuff was desired more urgently than the raw material. It has been proposed that the higher cost of living be thwarted by the placing of an embargo on shipments of wheat and flour, and also other grains and provisions from the United States. The enactment of any such measure would most assuredly keep prices from soaring, and the ultimate consumer would benefit to a certain degree, but with our country depending upon its exports of food-stuffs to largely aid its depleted and suffering trade-balance, students of the economic phase were alarmed over the embargo plan. The attitude of the land-tiller in regard to the proposition is clear to the vision.

Interests who have the stability of the grain trade at heart, and who profess just recognition for the public, urge economy and not indiscriminate legislation. The contention is that there is a great waste of bread, etc., which if obliterated would go a long way in stemming the demand and mounting costs, exactly as the decreased consumption of meats recently, actuated by steep prices, checked the upward trend of provision values.

It was proposed to lift the import duties from all grains that enter the United States, the measure to become effective as soon as it became a law, and to remain in force until the struggle subsides. How any such action, even though ratified by the legislature, would mitigate the strained supply and demand wheat situation—and presumably such is the purpose of the measure—is not apparent. Several million bushels of wheat might perchance be shipped into the American northwest from Canada, but that country is itself at present endeavoring to limit its exports of grain to the mother country of England. Quite apart from this consideration, it is to be remembered that the crop in Canada was the smallest in many seasons. The only other place that can be tapped for wheat at this stage is Argentine; but here, too, the production was abnormally small last season, and the government of that republic has placed an embargo on, or rather restricted, exports. The new Argentine crop will not become available until about February, 1915.

About the middle of the month there was a reaction of about twelve cents a bushel in wheat, and a corresponding drop of approximately fifty to sixty cents a barrel in flour, due principally to vague mutterings of impending peace in Europe, and consequent liquidation by speculative interests and farmers. Such influences must be patiently awaited. They may be depended upon to bring the grain trade safely back to its normal status.

"AN essential difference between gambling and speculating may not be in a man or his motives. But in the effect of the two ventures there is a great difference. Unconsciously and unintentionally the man who speculates in stocks is helping trade by making a market for corporate securities. Investors never build a new enterprise; that is left for the speculators. Investors buy into it after it is established and paying, taking a smaller but certain return than the speculator who put the money into its beginning. All new enterprises are inaugurated by men who venture their capital in the promise of a profit. They are speculators."

H. G. S. Noble.

President of the New York Stock Exchange.

Investing in Cotton at Eight Cents

By C. T. REVERE

AT this writing there appear to be excellent prospects for an early resumption of business by the great cotton exchanges of the world, and the question naturally arises as to the position that should be taken by the outside public toward the probable price movements in this commodity. Is cotton a sale around eight cents or a purchase?

Ordinarily the question would be phrased contrariwise—is cotton a purchase or a sale? In framing the query due consideration has been given for the moment to those prophets of disaster who have been predicting six cents, and even as low as four cents, for the South's great staple.

Generally speaking, and for the purpose of conservative operations for a long pull, the trader who buys a commodity after all bearish facts have become known and duly appreciated, with the price below the cost of production, and who margins his purchases from an investment standpoint, makes no mistake.

The element of uncertainty, of course, is the possibility of some further decline below the cost of production. This might wipe out slender margins. There is no uncertainty, however, about ultimate recovery, and a judicious purchase steadfastly held is sure to turn out profitably.

There is always the possibility, of course, that one may buy too soon. In the spring of 1905, when cotton was selling around 7 cents per pound, after it had touched the low price of 6½ cents, the writer, who was then down South, was talking to a veteran of the cotton trade.

"Don't get too bullish," said this Southern sage. "I went broke only seven years ago buying cotton at 7 cents per pound."

For this reason it might be profitable to determine the causes of depression. In 1904 New York contracts went below 6½ cents. This was the season of our first crop in excess of 13,000,000 bales, and in addition to quantity it furnished a psychological shock because practically everyone in the cotton trade had estimated 12,000,000 bales as the maximum the South could raise and pick. The depression was short-lived, however, and after reaching the price of 6.35 there was an advance inside of a year that carried prices up to 12.46, a recovery of nearly 600 points, or 100 per cent.

The next period of low prices came in October, 1908, when the level of 8.25 was established. Here was another big crop after the trade had been expecting only a moderate one. It reached a total of 13,800,000 bales. Again the decline was only of moderate duration, for inside of fifteen months cotton had advanced from 8.25 to 16.40—this time an advance of 8 cents per pound, and practically 100 per cent.

In 1911 the South again surprised itself by producing 16,138,000 bales, a crop far in excess of the most extravagant estimates of consumption. Since the last previous depression in 1908 the world had seen cotton go to 20 cents a pound and there were many prophets who had put themselves on record as predicting that never again would cotton go as low as 10 cents. Under the weight of the great crop of 1911, however, prices sagged to 8.70. Bears were very confident in their position, for they knew, or thought they knew, the size of consumption, which was considerably more than 2,000,000 bales below the size of the crop. They were mistaken in their price calculations, however, for cotton began to go up, and there was an almost continuous advance until 13 cents was reached. This was a recovery of more than four cents per pound and a gain of nearly 50 per cent. in value. The factor which the bears had not counted on, and of which they were unaware, was the willingness of spinners

to buy ahead for a number of years, something which they were able to do through scientific use of cotton exchange machinery.

The instances quoted above are hopeful examples of quick recoveries from depressions. In 1897 and 1898, however, the results were less inspiring from a bullish standpoint. These were the seasons of which the veteran cotton man spoke when he referred to the financial disaster that had befallen him in buying cotton at 7 cents per pound. In the seasons of 1897 and 1898 one big crop followed another. They were both approximately 11,250,000 bales. They came at a time when there was financial depression throughout the world, and it was the poor trade situation rather than over-production that caused the slump and fostered its continuation.

Precedent shows that cotton recovers more easily from a depression brought about by a surplus resulting from a big crop than from a surplus caused by poor trade which cuts down demand. This is perfectly natural, for spinners always will welcome a big crop, and if trade is good they do not hesitate to take advantage of the fat years to provide against the lean years with their scarcity of raw material. When the surplus arises from lack of demand, it means that spinners are unwilling to discount the future, and that their resources are impaired to such an extent that they are unable to lay in a surplus.

The question naturally arises, therefore, as to whether the present price of cotton, which may be reasonably placed at somewhere between 8 cents and 8½ cents for New York contracts, results from a surplus caused by over-production or by trade depression. Anyone who analyses the present cotton situation must instantly come to the conclusion that it is without precedent, and must therefore be placed in a class by itself. There is a probable conjunction of a large crop and poor trade, but the crop may not be as large as it appears to be, and the trade depression can be ascribed to the cataclysm produced by the war.

First, it is pertinent to consider the size of the present crop. If frost holds off to a normal date, and if prices encourage the gathering of the entire crop, including the saving of frost-bitten bolls through the medium of so-called "bolly" machines, we might have a production breaking all previous records. In other words, it might exceed the crop of 1911 which proved to be 16,138,000 bales. A prospective yield of this size has not been foreshadowed by the figures from the Crop Reporting Bureau of the Department of Agriculture. In fact, there never has been a season when the forecasts suggested by the condition figures of the Government statisticians have been so utterly misleading and futile.

It may be noted, however, in stating the possibilities for a bumper crop there are several "ifs," and one "if" is quite sufficient to upset a result. In the first place, early frost might come, and with the maturity of the plant retarded by rains during August and early autumn, hundreds of thousands of bales would be cut off. In the second place, the low price of cotton—prices have been as low as 6 cents for middling in the interior of Texas—is not conducive to thorough picking of the crop. Suppose, for instance, that a field has been picked once and denuded of all its open bolls, and before the rest has matured, beating rains come in November and December, and the plant is again loaded with open bolls along in mid-winter. This cotton will be low grade in character, and with middling cotton at say 7 cents or 8 cents, that in the fields would not be worth more than 4 cents or 5 cents. It would cost at least one dollar per hundred to pick the 1,500 pounds of seed cotton necessary to make a bale. This gives, say, $15 for the picking of a bale of cotton which still must be ginned and hauled to town. Very few farmers will risk $15 in cash on such a proposition, and for this reason it seems likely that a great deal of the present crop may never be picked. There comes also the question of saving the frozen bolls, picking them and putting them through the so-called "bolly" machines. When middling cotton is selling at 14 cents or 15 cents it pays to save "bollies," but when middling is down to 7 cents or 8 cents the process is not profitable. The last two crops of Texas and Oklahoma

have had an average addition of 400,000 bales from the saving of bollies. This loss is likely to cut some figure this year.

Therefore it seems possible for a crop of 16,000,000 bales to be *produced,* and one of over 15,000,000 bales to be *saved,* and it might be just as well to base price calculations on a crop of this latter size. Exports this season, if the war should continue for a year, might run as low as 4,500,000 bales. This looks like a minimum figure, however, for Japan is in a position to take 1,000,000 bales, Great Britain at least 2,000,000, and increases in Spain and Italy must be considered. There is a disposition to eliminate Germany's annual imports of 2,500,000 bales, and also those of Austria. These countries, however, will need some cotton, and it is merely a question of getting their raw material through such neutral countries as Italy and Holland. Exports might easily reach 6,000,000 bales, but for the purpose of argument the minimum figures of 4,500,000 bales may be accepted.

If American spinners had not lost so much money in the last year and a half, they undoubtedly would buy freely to accumulate a surplus. Just at present many mills are running on short time, but the end of this curtailment is in sight. The consumption for the season which closed on August 31 records consumption by American mills of 5,884,000 bales, a new record. In spite of the fact that there is considerable short time, it looks as if textile activity would break all records during the present season. There is a great scarcity of heavy weight goods, and this deficiency must be made up by American mills. The present outlook points to a minimum consumption by the mills of the United States of 6,500,000 bales.

The stoppage of jute imports from India has given a big impetus to the cotton bagging industry in the United States. It seems quite likely that the increase in the ouput of cotton bags before the season is over might be equivalent to fully 500,000 bales of cotton. At least if this figure does prove a trifle high it will be made up by the substitution of heavy weight cotton goods for burlaps in other industrial fields.

While the actual *consumption* by American mills may not prove to be more than 6,500,000 bales—although some authorities place it as high as 7,000,000 bales—the *purchases* by American and Canadian mills could easily reach a total of 8,000,000 bales. This would provide only a moderate surplus, but it is explained by the fact that American manufacturers for the last year and a half have not been prosperous owing to the low prices at which they have beeen forced to sell their goods and the high cost of cotton, particularly the better grades.

On the basis, therefore, of an *absorption*—not *consumption* — by American mills amounting to 8,000,000 bales, and exports of 4,500,000 bales, it may be seen that the trade will take care of 12,500,000 bales of cotton. With a crop of 15,000,000 bales there would be a surplus of 2,500,000 bales, or with a crop of 16,000,000 bales the surplus would be 3,500,000. With the issuance of emergency currency under the Aldrich-Vreeland Law it is believed that Southern banks will have enough assistance to enable cotton growers to carry for a considerable period the surplus out of the present crop.

In addition to this a strong sentiment in favor of cotton has been engendered by the formation of so-called "Buy a Bale" clubs. The members of these organizations are pledged to buy at least one bale of cotton at 10 cents per pound, and to keep it off the market for a certain period. President Wilson bought two bales of cotton which cost him fifty dollars apiece. The movement is not confined entirely to the South, as some of the big Chicago packers have bought cotton amounting to several thousand bales, which are set down to the account of executive employes in various parts of the country. It seems quite likely that the "Buy a Bale" clubs will take off the market several thousand bales of cotton. Not the least valuable effect is the sentiment created in favor of 10 cent cotton.

Plans under consideration on the New York Cotton Exchange for the liquidation of the New York-Liverpool straddle place the liquidation basis at 9 cents. This is not a starvation price, and it also sets a sentimental value on the staple.

Moreover, a strong campaign is already started to bring about a reduction in the South's cotton acreage next season of at least 50 per cent. The South is thoroughly alive to the danger of raising a big crop next year no matter if the war ends sooner than expected. It would not be surprising if the matter of cotton acreage were made the subject of some legislative action by the states in the cotton belt.

Taking into consideration, therefore, the fact that 8 cent cotton is well below the cost of production, which may be placed at a minimum of 9½ cents for the whole belt, and the fact that the surplus from the present crop is not likely to prove as burdensome as was at first believed, the buyer of contracts seems to have a conservative investment proposition. When the war ends and industry once more reasserts itself, cotton is going to be in demand all over the world, and prices, although perhaps responding slowly at first, will not be long in reaching their normal level. Cotton exchange firms will be seeking desirable business, but accounts will have to be stiffly margined. This should impose no hardship on the cotton investor, however, and the general situation will be all the safer for this reason. The investment buyer around the 8 cent level, therefore, should find in cotton a safe and profitable field.

Detecting Liquidation

How the Spring Rise of 1913 Was Utilized to Unload Chesapeake & Ohio

By THOMAS L. SEXSMITH

Of all the varied phases in the normal movement of stock prices the most interesting, perhaps, is that of liquidation. At least to the student of prices that is true. Liquidation, when urgent, is ofttimes spectacular, while its antithesis, accumulation, other than at panic times is seldom so. The two, accumulation and liquidation, are the beginning and end, respectively, of a complete market movement. They constitute also what may properly be defined as preparation and performance.

There are a number of features which the student of price movement phenomena learns to watch closely in an endeavor to determine which, if either, of these two processes is going on in the prevailing market. The study of volume and price range is of special value in the observation of the general market. No great or important accumulation or liquidation can be successfully accomplished in the market as a whole without reflecting itself to a considerable extent in volume of daily sales and width of price movement.

But since it is necessary to trade in individual stocks, one must examine closely into the action of the various active stocks (or inactive ones that at certain times become unusually active) if one is to trade profitably. If liquidation is going on generally it is essential to know in which stock or several stocks liquidation is being most aggressively conducted. That determined, the trader knows which stock or stocks to sell with promise of satisfactory profits in the immediate future.

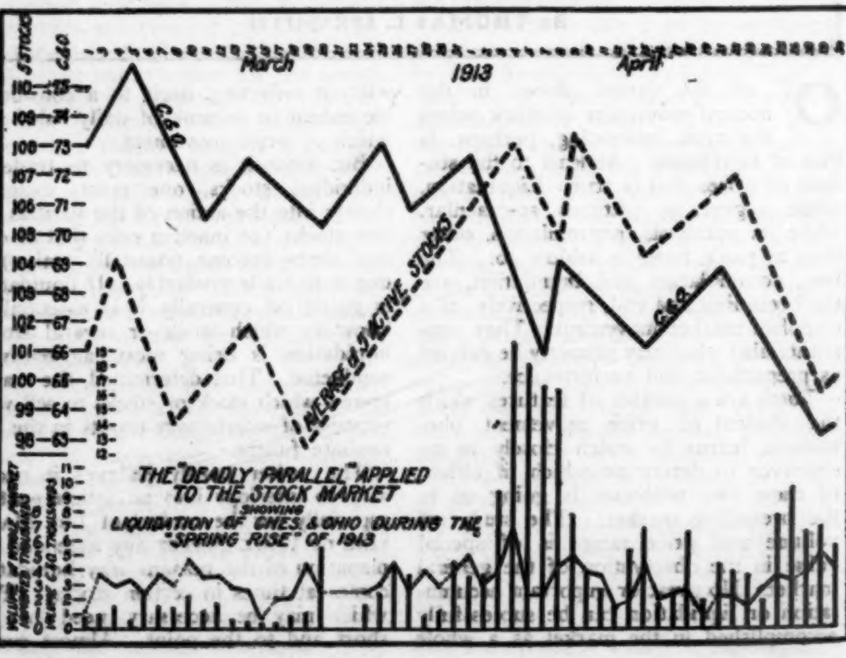
The writer hardly believes it necessary to interlope into an article written especially for the readers of The Magazine of Wall Street any extended explanation of the reasons why liquidation comes at times in certain stocks. That which may be necessary need be but short and to the point. Almost every-

body who has given the market much attention has seen the familiar spectacle of a supposedly good stock declining in price, apparently without any good and sufficient reason. But of course there is always a good reason behind any considerable price movement. Because you or I or the newspapers may be at sea to explain a sharp decline in any stock, do not make the error of believing a substantial reason non-existent.

The real reason for a decline in an individual stock when the average market is enjoying a period of advancing prices is that persons close to the management of the company whose securities are affected have received first hand knowledge of the presence of certain factors the ultimate influence of which will be in all probability to adversely affect the earning capacity of the company. Generally, by the time that this knowledge becomes public property those on the inside have succeeded in lessening their holdings, and in some instances are enabled to put out formidable lines of short contracts.

It is not always possible to detect evidence of liquidation in individual stocks from study of transactions as published in the daily papers. The writer has been able to do so at various times, and each of the examples observed has taught him new ideas of value for future use. That, generally, has doubtless been the experience of many others. In the study of price changes eternal vigilance is the price of proficiency. One must ever watch closely and study untiringly if he hopes to keep pace with the always changing phases of manipulation, and even then he is constantly open to surprising changes.

The particular example of sudden appearance of liquidation in an important stock used to illustrate the principles set forth in this article was brought to the writer's attention in a peculiar manner. Early in the month of April, 1913, a friend of the writer's, a professional man of considerable means, received advices through the medium of some influential New York connections of an impending movement in the shares of the Chesapeake & Ohio Railroad. The information was to the effect that "good buying" was going on in that stock at prevailing prices, and it was suggested that the



stock should be purchased for a considerable rise.

Before buying, however, the information received from so-called inside sources was given the writer, and his opinion requested as to the desirability of the proposed investment. It was in this manner that the writer's interest was aroused, and the following was the result of studies made at the time. These results are indeed interesting to the student of price changes.

Traders doubtless recall that it was during the latter half of March and the first days of April that we were given the vigorous "Spring Rise" of 1913. Such a tremendous shock as the sudden death of the powerful financial leader, J. Pierpont Morgan, failed to halt the rise at the time. Of course, we know now that it really was only a short and sharp rally in the large bear market.

An average price of five active stocks which the writer keeps reached its low point March 19, 1913, that price being 97¾. On the same day C. & O. sold at 70¼. From that point the rise in the representative active market continued with unabated energy until April 4, receding thereafter about three points to April 8, and then rallied back to a "double top" again on April 9. These moves are shown on the graphic which accompanies this article.

C. & O. started to go along with the rest of the market several days later, but its response to the general uplift was noticeably feeble and short-lived. By March 25 its little rise was over, and by April 4, when the average market was at its practical high point, having advanced approximately ten full points, C. & O. had declined 3½ points. By April 7 its decline had gone three points further, and on that date touched a low point fractionally under 67. Such action was a rather plain indication of liquidation by inside holders, and the extent of the liquidation could be measured in some degree by a study of the comparative volumes that came out during the action described above.

About 2,000 shares is now the normal daily volume of dealings in C. & O. on the exchange. When volumes show decided increases beyond that figure it is almost certain that work of importance is going on. During the month of March C. & O. had normal daily volumes. April 3 was the first day to show anything unusual, and on that day 9,000 shares changed hands. This amount came out on declining price movement. What actually was going on became increasingly apparent the next day (the day when the active market made "top" on feverish trading with a total volume of nearly 700,000 shares) when over 19,000 shares of C. & O. were handled on a further decline in price. The next three days had altogether nearly 50,000 shares of C. & O., and its price declined further, then recovered somewhat, but liquidation continued on every show of strength thereafter, closing the month of April at the low point for the year. April close was 7½ points below the low for the month of March, while the averages of the five stocks closed the month still about 2½ points above the March low point.

An item of further interest, brought to the writer's attention by recent market action, was a forecast made at the time of the C. & O. study. At that time the action of the stock for the period as far back as January 1, 1912, was reviewed, and based on that work and the volume that developed on the decline of April, the writer set down the figure 38 as the probable ultimate low for the bear movement then in progress. July 30 of the present year this stock touched 41½, proving the accuracy of the forecast.

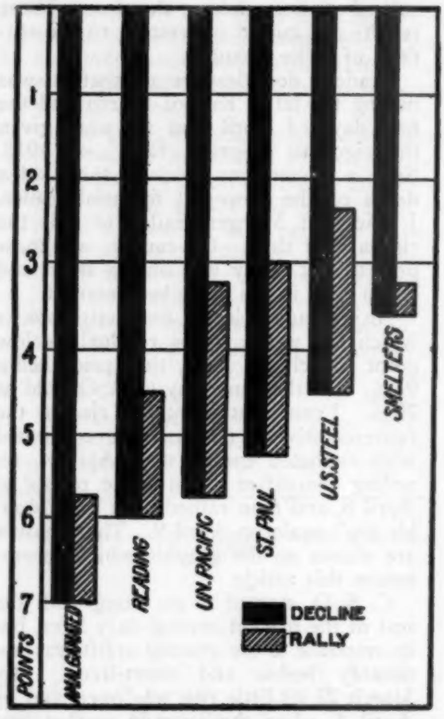
Editor's Note:—Since the above article was prepared, C. & O. directors have voted to pass the current quarterly dividend. It is explained that this action is one of temporary expediency, however, and that regular dividends may soon be resumed. The fact remains undisputed that the large selling of the stock was based on good information concerning the possibilities of future earnings. The passing of the dividend sixteen months later verifies the wisdom of that selling, and impresses upon the investor as well as the speculator the need of constant study of the technical position and action of stocks as a means of forcasting future developments which may tend to effect earnings and dividends.

How to Compare Initial Movements and Their Reactions

THE initial movement of certain stocks is always greater than others. This is owing to the fact that the original impulse is usually given to the issues which are most affected by the news or the situation, and the others follow along sympathetically—because they are indirectly influenced by the news, or because holders of the stocks which have declined find themselves in a weakened marginal position.

Very often it is difficult to gauge accurately the comparative strength or weakness of a group of stocks without putting down the figures, but even then the situation cannot be so readily grasped as it could be if a graphic were used.

We present herewith a form of graphic so arranged that the initial movement of a group of stocks, as well as their respective reactions and recoveries may be readily compared. This diagram is based on the actual figures which were recorded during a decline in the market a few months ago.



Amalgamated copper was the weakest stock, declining seven points on account of the specific conditions affecting it. Reading and Union Pacific were next, while Smelters' decline was comparatively small. Notwithstanding its heavy decline, the recovery in Amalgamated was only 1¼ points—less than any of the others except Smelters. The rally in Union Pacific was the greatest, and formed the largest percentage of its decline, indicating the greatest intrinsic strength. The inference to be made from the lack of recovery in Smelters is rather a bearish one.

The advantage of such a graphic over mental arithmetic and sets of figures will be obvious to the student and we feel confident that one will be well repaid for study along these lines.

DON'T be afraid to take a loss; better a small one than a much larger one. Don't buck the market. Never try to scalp a profit on the wrong side. Never buy a bear market or sell a bull market.

Usually there are well known signs of the end. When the melons are being handed out and everyone is telling you how good they taste, and the little cats and dogs are being paraded, slip quietly out of the main tent and go around to the ticket wagon and watch the men counting the receipts.

THE FORUM

Where Every One Has His Say

As the Romans gathered at their Forum to discuss questions of common good, we invite our readers to make this department their common meeting ground—to contribute their views on financial topics of general interest and to ask questions relating to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you should disagree with us or with our contributors, we will gladly print your criticisms, space permitting. We welcome suggestions. Tell us what articles best fit your needs and then we can serve you to better advantage. Write your comments as you would speak them. The style of your writing will not be considered—only the information you give. Write on one side of the paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of MAGAZINE OF WALL STREET.

Judging the Three and Five Point Swings.

To the Editor:

Although I have enrolled in your Home Reading course, I have not devoted much time to it because I am utilizing my vacation to get some experience in the market, which necessitates my attention during evenings to what I have learned during the day by way of mistakes, new pointers, etc. But as soon as I take up the course regularly, I shall send you answers to the test questions on the first section which you have sent me. In connection with my evening study I have resorted a good deal to "Studies in Tape Reading."

The numerous articles that have appeared in THE MAGAZINE OF WALL STREET on Manipulation, Distribution and such other things have helped me lots. "Studies in Tape Reading" is helping me very much in determining the trend of the daily market.

It seems to me that THE MAGAZINE OF WALL STREET has published comparatively little about the moves of three or five or more points which are not real bull or bear markets, but in the nature of manipulative rallies and depressions caused by technical conditions. Such moves are in frequent evidence during the period of accumulation. To be exact, I mean those of the kind that culminated on May 4, May 9, May 27, June 2, June 8, June 17, June 22, June 25, July 7, July 13, July 22, etc., etc. (All of these dates are in 1914.) I took these dates from the open, high, low and close chart of Union Pacific, but the general market culminated around if not on these exact dates.

I have realized that once one understands the rationale of such short moves, especially during the general accumulation period, thoroughly, and knows how to call the culmination—of course, not at the exact point, but approximately—of such moves he can make more money in this way than by day-to-day trading (if ranges are wide enough), even with the aid of tape-reading; for it is very often that the daily range is very narrow. But if one can determine moves of three points or so, the narrow ranges won't make much difference.

Now, I have tried to find in THE MAGAZINE OF WALL STREET an article that deals exclusively with such moves. It seems there is none, although, to be sure, there are references to them in some articles. Since I aspire to be a trader in such movements, I should like you to tell me how to call the culminations in such markets. The reason I ask you this is: Suppose the trend (of current move) is up. In this case, I know how to buy on reactions at the right time with the aid of tape-reading. Suppose this rally, say, of four points, has culminated, but I am not skillful enough to see it until a few days after. It reacts the day after the culmination. Not being able to call the culmination, I may buy on that reaction, hoping for a further rise, and later on I may find that the reaction is now in line with the downward trend of the next move that usually follows the culmination and that may extend to at least three points (more or less).

To be sure, I would protect the trade with a stop order, but I want to learn how to see the culmination, so that I shall not buy on the reaction that follows the culmination, but rather so that I shall sell short around the culmination price.

I do not, however, mean you to understand that I want to be able to call the exact bottom or top. I know this is impossible. What I mean is to determine whether it should be the last day of the rise or fall, thus marking its culmination.

Do you think double bottoms or tops and "break-throughs" in the half-point chart will help to form a decision in regard to culmination? I have studied that chart in this way and I find it to be of much value, as I believe that the half-point chart is the best one for showing support and pressure, so far as three-point or so movements are concerned.

Do you also think the law of average will also help? For instance, after the culmination of the *real* bear market, the market usually makes a rebound, culminating around a point midway between the price from which the bear market started and the culmination of that bear market. I have studied especially Union Pacific in regard to the law of averages in such cases. I have found in a good many cases that it usually rallies about six or so points after the culmination of the bear market. I believe that at least six points are the average extent of such rebounds in Union Pacific. I do not say that of any other stock, but I do say that when Union reaches that extent, the general market may be said to have about reached its limit. When I say six points, I mean the "focus." Union may rally much more than six points or a little less than six points. This refers, as I have said above, to a rally after the culmination of the bear market. For instance, see those of Union that culminated May 4, 1914; May 5, 1913; June 4, 1913; October 21, 1913. Of course, I do not use such indications as an arbitrary rule—just as a guide to the extent of the movement.

Also, I note that in the greater majority of cases except in narrow trading areas, each movement, whether it be a sharp rebound or a shake-out, during the accumulation period, usually extends to three or more points.

It seems to me it is much harder to call the culmination of such movements as three, four, five-point or so rallies and shake-outs, etc., than to call the culmination of real bull or bear campaigns. In the latter case, it is comparatively easy to make use of the knowledge of technical conditions; but I do not think this true of short moves because they are largely dependent on the law of averages. To be sure, they are caused by technical conditions and also perhaps some manipulation—but I feel a knowledge of the law of averages would help to determine the culmination of such movements.

I have gone at some length on this subject because I believe that a thorough understanding of the rallies and depressions that usually mark the accumulation period is essential to success in trading for three-point movements or so and furthermore because I believe that the accumulation period is the most complicated part of the market campaign.

To sum up: I should like you to advise me how to see the culmination of short moves.—M. L.

This is rather a "large order."

Movements of three to five points are usually so numerous and so frequent that they are difficult to follow. A thousand influences are capable of producing such short swings, while comparatively few factors or combinations are important enough to move the market ten or more points. The difficulties increase as you get down toward the fractional fluctuations.

While our past volumes contain much of suggestive value, we cannot prescribe any more definite plan than the adaptation of all the essentials used in judging larger swings. That is, a chart or other indicator of the ten or twenty-point moves might be kept on a quarter-point basis instead of a half or one point. The whole idea would then be to take a more microscopic view of the market—to change the scale of your vision.

One reason why there are so many of these movements is that a large number are produced by a powerful group of floor traders who care little about the main swings so long as they can get a "turn" out of the long or the short side. Larger operations will frequently depress a few stocks while accumulating others, and vice versa. As the range of accumulation or distribution is usually three to five points, trying to catch these swings would be like grabbing for "crumbs from the rich man's table" with a good chance of your getting a loss instead of a crumb.

The series entitled "Notes on Office Trading," which began in Vol. 10, contains many valuable ideas for your purpose. Study this carefully. It was written by one who makes a successful business of trading for the short swings.

We do not see how you can utilize the law of averages to very good advantage.

Banking Statistics

On pages 487 and 489 of the September issue are given the figures for "Per Cent. Loans to Deposits, New York Clearing-House Banks" and the "Excess Deposits," the latter shown graphically. How can I obtain these data? Every week I see the Annalist, Commercial and Financial Review, Bradstreets and Dun's, but in none of these issues have these figures been published. A request for them made upon the New York Clearing-house Association was courteously and explicitly refused. If you are obtaining these figures and can inform me how to do it without violating any confidence, will you kindly do so.

W. C. U.

The only way you can get these figures week by week is to calculate them yourself. This is not especially difficult. The method we employ is fully explained in our book "Investing for Profit," price $1.06 postpaid. How-

ever, the issue of emergency currency and the pending establishment of the new banking system have already affected, and will affect still more, the value of these percentages. We do not believe that their usefulness will be entirely destroyed, but more care and judgment will be needed in interpreting them.

A Valuable Suggestion.

Regarding the price graphic on page 397, September issue: It shows simply that prices in 1914 are lower than in 1909 and is nothing more than a picture. The ordinate or price magnitude is absent. So far as the writer can tell from it the difference between 1909 and 1914 might be either 5 points or 50 points. Again the two graphics may be drawn to the same vertical scale or may not be. What are the horizontal figures and the stocks averaged?

Would also suggest that in "The Bond Buyer's Guide" the denomination of each be given, as more of us are interested in small denominations.—L. R. S.

The graphic was based on the Dow-Jones averages for 12 industrials and 20 rails, with this exception: that in the 1901 panic our graphic shows the low prices for May 9 of that year, while the averages are reported at the closing prices. The latter gave no true idea of the extent of the decline. That is why we have used the extreme lows.

The chart was not intended to give details, but to show the relative position of prices on the day the Stock Exchange last closed.

You will find in the July, 1913, number a line chart which will give you the detailed figures. The low points in the railroads will be found in the fourth paragraph of page 395 of our September number.

We can easily denote the bonds which are issued in small denominations in "The Bond Buyer's Guide," and will make this change in the next issue in which it appears. Thank you for the suggestion.

Convertible Bonds.

Investors who want to get a large degree of safety in their investments and yet want additional possibilities of profit by holding such bonds, may well look to convertible bonds now. Everyone knows what happened in the stock market in the recent weeks. With the whole market going to pieces, there was sure to arise some fine opportunity for good buying.

These opportunities seem to be here now. The purchase of good convertible bonds can now be recommended with a very favorable chance of showing substantial profits some months in the future. The slump in investment values, both in the stock and bond lists, has brought some of the convertibles down to an attractive basis. Practically the whole list is now selling at or close to a point where the return is an investment income, so that if bought now they could be taken for that reason alone if for no other.

Anyone that takes on convertible bonds now gets not only a satisfactory income return, but also the added likelihood of increase in principal through advance in the stock market later on.

The same thing happened in 1907. Stocks are down now and everyone knows they cannot remain down indefinitely. Some day they will come back to high prices again. Therefore the purchase of convertible bonds now, at least those bonds which are exchangeable for stocks that are on the list and which move with the general market, carries along with it the certainty of profit in the other direction.

When stocks are high the purchaser of convertible bonds usually gets something less than a satisfactory investment income and pays rather high for the possibility of getting some advance in the stocks. As often as not he gets little or no profit from enhancement from stock values.

There is every argument for buying convertibles now by anyone who is satisfied with something good, but not of the highest grade mortgage investment.

Market Statistics

July 20 to Closing of the Exchange

	July	Dow Jones Avgs. Inds.	Dow Jones Avgs. Rails.	50 Stocks High.	50 Stocks Low.	Total Sales.	Breadth (No. issues.)
Monday	20	80.41	98.30	66.12	65.81	215,900	107
Tuesday	21	80.76	98.77	66.43	65.61	294,100	121
Wednesday	22	80.83	98.49	66.46	66.04	181,900	107
Thursday	23	80.52	97.95	66.15	65.64	192,100	115
Friday	24	79.71	97.05	65.51	64.91	293,400	130
Saturday	25	79.67	97.16	65.18	64.58	209,600	113
Monday	27	79.07	96.58	64.81	63.76	489,600	160
Tuesday	28	76.28	93.14	64.24	61.70	1,031,000	181
Wednesday	29	76.42	94.12	62.71	60.54	804,300	165
Thursday	30	71.42	89.41	61.73	57.41	1,037,000	191

Friday, July 31, New York and all foreign stock exchanges closed as a result of European war.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
September, 1914........	7	5⅛	22.5	103.2	.....	......	$35.03
August, 1914..............	6⅛	5⅞	22.9	100.7	......	......	33.96
July, 1914................	4½	3⅝	26.0	97.0	15.5*	102.8*	34.53
September, 1913........	6	4¼	25.6	100.8	15.3*	103.5*	34.48
" 1912........	5¼	3¼	25.3	99.8	16.2*	102.5*	34.36
" 1911........	4½	3⅝	26.8	97.8	17.3*	102.8*	34.25
" 1910........	5¼	3½	27.2	99.0	15.5*	103.2*	34.83

*June.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City (000 omitted)	Balance of Gold Movements —Imports or Exports (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
August, 1914........	$104,524	$9,942,247	$5,361,047	Ex. $15,090	Im. $19,051
July, 1914..........	234,534	14,492,363	6,311,878	Ex. 30,277	Im. 6,095
August, 1913........	38,085	12,391,433	5,629,239	Im. 4,609	Ex. 50,257
" 1912........	142,063	13,208,383	5,722,100	Im. 3,078	Ex. 13,088
" 1911........	390,374	12,662,586	5,278,444	Im. 3,624	Ex. 18,239
" 1910........	9,500	11,537,521	5,075,253	Im. 9,668	Im. 3,691

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper (Cents.)	U. S. Production of Copper (Lbs.) (Millions)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)†
September, 1914........	9.75	2,698	$13.25	.....	12.1	...	.....
August, 1914..............	8.71	2,565	13.25	1,995	12.3	...	4,213
July, 1914................	8.65	2,549	13.30	1,958	13.2	...	4,158
September, 1913........	9.10	2,693	14.25	2,545*	16.3	131*	5,223*
" 1912........	9.21	2,722	15.87	2,512*	17.5	145*	6,163*
" 1911........	9.81	2,531	13.31	1,926*	12.2	125*	3,695*
" 1910........	8.95	2,407	14.25	2,106*	12.3	127*	3,537*

*August. †Last day of mo.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Crop Conditions. Winter Wheat.	Crop Conditions. Spring Wheat.	Crop Conditions. Corn.	Crop Conditions. Cotton.	Babson's Average 10 Leading R. R. Bonds.
September, 1914........	163,326	....	....	....	68.0	71.7	....	....
August, 1914..............	196,665	$35,072,097	$38,709,617	....	75.5	74.8	78.0	89.5
July, 1914................	219,540	50,617,332	25,441,310	94.1	92.1	85.8	76.4	90.9
September, 1913........	58,306	39,259,602*	22,237,005*	81.6†	75.3	65.1	68.2*	92.5
" 1912........	9,750	52,038,639*	15,532,594*	73.3†	90.8	82.1	74.8*	96.0
" 1911........	84,541	63,123,423*	12,009,036*	76.8†	56.7	70.3	73.2*	97.7
" 1910........	50,729	42,547,451*	12,110,250*	81.5†	63.1	78.2	72.1*	97.9

*August. †July.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

[NOTE.—This department deals primarily with investment, not purely speculative conditions. Expressions of opinion apply to the long movements of prices, often extending over a year or more. For instance, early in 1912 a bullish position was maintained; toward the end of the bull movement in the fall of 1912, a decline was predicted; thereafter a generally bearish view was expressed until the fall of 1913, when purchases of carefully selected stocks were recommended. Readers, therefore, should not attempt to gauge the immediate movement of prices by the factors analyzed here.— —THE EDITORS.]

AT present the question of most vital interest to a majority of the readers of this department is, When will the Stock Exchange open?

Not, at any rate, until the surplus reserves of the banks are restored to legal requirements and call money rates are back to more reasonable figures. After keeping the exchange closed for two months in order to prevent heavy foreign liquidation of our stocks—which would in turn have resulted in further depletion of our supplies of gold—it would be little short of absurd to reopen the market in the face of an 8 per cent. money rate. Such a rate would offer the strongest inducements to domestic holders of stocks to turn them into money, since the money would yield a larger interest return. The market would thus have to encounter sales from home as well as from abroad.

We can safely say also that there is little probability that the New York Stock Exchange can open before the London exchange. In London call money is now down to 2 per cent., yet nobody there believes that it is yet safe to open the exchange for unrestricted business. The first thing necessary is to restrict Continental sales of securities on the London market. The decision has been reached to require transfers to English names, and later a date will be set after which securities standing in Continental names will not be a good delivery in London. This will serve to check sales of American stocks from Continental sources.

It is something of a repetition to add that foreign exchange will have to get back near to a normal basis before the exchange can reopen, for when our bank reserves are restored and our money rates have become reasonably easy, foreign exchange will be back to normal; otherwise money rates could not relax much.

* * *

THE greatest difficulty, of course, lies in Germany, Austria, Belgium and France, where the war has brought everything to a standstill and almost inconceivable conditions of ruin and devastation prevail. England, while spending an immense amount of money and sending a vast army to the front, is still able to do business. In fact, the recent issue of treasury bills there was snapped up very quickly by investors at less than a 3 per cent. basis for the 6 months maturities and about 3½ for one year—while the city of New York has had to pay 6 per cent for money. French treasury bills are being taken by London at a 5 per cent. basis, and the open market discount rate is 3 to 3½ per cent.

Fortunately for us, most of the American stocks held abroad are in England; yet there are enough on the Continent to make sales from there a serious danger, and conditions on the Continent are such that holders may feel compelled to liquidate whatever is salable, regardless of price. This will hardly be the case in England.

* * *

THERE has been considerable discussion of the amount of the short interest outstanding at New York. When

the exchange closed July 30 there was a short interest of over 1,000,000 shares. A considerable part of this, of course, represented stocks sold "to arrive." It has now been much reduced, both by delivery of stocks as they arrived and by purchases to cover, so that it is doubtful if more than 300,000 shares is now outstanding.

This will not afford much support when the exchange opens. If prices are to be maintained it will have to be because conditions are seen to warrant the present plane of values or higher. Normal bank reserves and normal money rates will afford the strongest evidence that conditions do warrant such prices.

There is talk, mostly of a rather irresponsible character, of the formation of a big syndicate to take a billion or two of stocks off the market when the exchange opens. It is easy enough for a local hardware merchant of Winnipunk, New Mexico, to get his name in the papers by forming such a syndicate in his mind's eye, or for a Wall Street "Piker" to toss Rockefeller's and Carnegie's millions into the breach, but the actual supporting of the market would be another matter. It will not be undertaken unless the quantity of stocks to be taken care of is fairly well ascertained and the enterprise is seen to be both safe and profitable.

* * *

IT is rather surprising that money rates continue so high, in view of the significant facts that about $200,000,000 of emergency currency has been injected into the circulation while at the same time bank clearings have fallen off sharply throughout the whole country, indicating a lessened use of money.

Clearings outside New York City (New York being omitted because of the influence of the stock exchange) were about 15 per cent. smaller in August than in July. There always is a decline from July to August owing to seasonal conditions, but it should not be over 5 to 7 per cent. September clearings to date of writing do not indicate any substantial recovery in the activity of business from the August level.

What has become of the emergency currency? It is true that we exported about $104,000,000 net of gold during four months ending August, and still more has been shipped out in September; but even this does not account for the continued deficiency in New York bank reserves, in view of the issues of currency and the decline in the activity of business.

It is clear that money is being held off the market somewhere, and the general assumption is that country banks have it. The painful experiences of 1907 are still fresh in the minds of many country bankers and it is not surprising that, in the face of the greatest and most costly war ever known, some of them feel like building up their reserves even above legal requirements. When money rates begin to fall, as they soon will, this hoarded money, whether held by banks or by individuals, will begin to come out, and an unexpected plethora of money might easily be the result.

* * *

ON the whole, it is clear that the situation is slowly improving and that holders of well selected stocks which have a liberal excess of earning capacity over dividend requirements have no occasion for alarm. Time will be needed to work out an unprecedented situation; but the holder of a dividend-paying stock can afford the time.

The situation bears hardest on the brokerage fraternity, but the last few years have imbued most brokers with a considerable degree of philosophy under misfortunes. Investors are resting comfortably and active speculators have become so few that the aggregate of their troubles is not seriously threatening.

We think this is a safe time to pick up good stocks. The market has not been called upon to go through a genuine panic because the panic was nipped in the bud by the closing of the exchange; but in many respects we have had practically panic conditions, and prices are low when considered on the basis of the American situation. It is useless to expect to buy at the bottom, but we now have an opportunity to buy many stocks considerably below their normal value.

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INDEX

THE MAGAZINE OF WALL STREET

Volume XIV—May, 1914, to October, 1914

A

B

C

D

E

F

COLUMBIA UNIVERSITY COURSE ON INVESTMENTS

1914-1915

By FREDERICK LOWNHAUPT

We reprint herewith the outline of the course as published by Columbia University, not only because it will be of interest to many readers but also as a help to students of the subject who are covering similar ground in their private reading. We may add that our Book Department will, whenever requested, aid such spare-time students in the selection of text-books.

FIRST TERM

GENERAL AND INTRODUCTORY

FIVE LECTURES

Considering the broad facts regarding the investment aspect of various securities and their production and distribution.

I. INTRODUCTORY—Investment as a science; the scope of the study; education in investments and its value; fundamental facts easily mastered; principles only the frame-work of the science; essential facts about investments part of a liberal education; specialized study requisite to proficiency; constant application the price of expert investment judgment.

II. ORIGIN AND DESTINATION OF GREAT INVESTMENT OUTPUT—A broad survey of the sources from which the mass of securities come; classification and description of the issuing corporations; processes by which securities reach the ultimate investor; channels of distribution; character and disposition of investors; ultimate lodgment of bulk of securities.

III. CLASSIFICATION AND DESCRIPTION—A general classification of securities according to various principles or arbitrary demarcations; description of the various types of bonds by classes and as individual instruments; fundamental and special distinctions.

IV. FUNDAMENTAL DIFFERENCES IN INVESTMENTS—Consideration of the underlying economic factors an important aspect of investments; how they affect different classes and types; extent to which this should be exercised in selecting securities; a vital element in the factor of safety.

V. ELEMENTS OF AN INVESTMENT—Critical study of the elements or factors that are essential parts of every investment; in what proportion safety, income and marketability, which are the basic factors, enter into every security; conditions that make the proportions vary or change; influence and effect of other special factors such as convertibility, and others.

BONDS SECURED BY A MORTGAGE

FIVE LECTURES

The essential features of all bonds having for their stated security a mortgage lien on tangible property such as railroad tracks, timber lands, factory plant, contents of mines, other securities, etc.

VI. RAILROAD—INDUSTRIAL.

VII. UTILITIES—REAL ESTATE—TIMBER.

VIII. MINING—IRRIGATION—DRAINAGE.

IX. COLLATERAL TRUST BONDS—Generally an indirect mortgage on property through a lien on other securities; a type of instrument that involves many peculiar aspects; some investment features that distinguish this type of security; requires critical examination to determine to what degree it is desirable as an investment.

THE MORTGAGE

X. MORTGAGE INDENTURE—Analysis of representative indentures covering railroad, industrial, utilities and various other types of bonds; general plan of such indentures; completeness of the documents; difficulties of the layman in interpreting; of what value it is for the protection of the investor.

NON-MORTGAGE SECURITIES

A study of the various bonds that are without a definite lien on tangible property of some kind. Similar to the consideration given mortgage secured instruments.

XI. XII. RAILROAD — INDUSTRIAL — UTILITIES—MISCELLANEOUS (Debentures—Convertibles—Income.)

XIII. GOVERNMENT—STATE.

XIV. MUNICIPAL.

XV. MUNICIPAL.

ANALYSIS

XVI. INCOME ACCOUNT — RAILROAD AND UTILITY COMPANIES—Studies in analysis of the income statement of these classes of corporations showing the sources of revenue and the proportions of whole derived from these sources; also the disposition of income; factors that affect the revenue producing capacity; various expenditures and their far reaching effect.

XVII. INCOME ACCOUNT—INDUSTRIAL AND MISCELLANEOUS CORPORATIONS.

XVIII. BALANCE SHEET—RAILROAD—Studies in the analysis of a railroad balance sheet showing the items that enter into such an exhibit and the significance of each as to the position of the company; how to interpret the

(Continued on page xiv.)

Protective Association

The Need for Such an Organization

THE careless and sometimes criminal use and misuse of the savings and property of others by corporation managers; the attacks of demagogues, socialists and anarchists upon property and savings of the thrifty; the raids and attempted raids upon the business interests of the country; the regulation of railroads and business of all kinds; the imposition of exorbitant taxes without necessity or right upon the savings and investments of our whole people—all these threaten the security and impair the income of the savings and investments made for old age and for those dependent upon us and make necessary the organization of all security holders for mutual protection against such assaults upon the principal and income of our savings.

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COLUMBIA UNIVERSITY INVESTMENT COURSE

(*Continued from page xi.*)

relation of the various items from an investment point of view; variations in the arrangement and importance of items.

XIX. Balance Sheet—Industrial—Miscellaneous Corporations.

XX. Working Capital—What items constitute this; variations in calculating it; how it indicates the position of the company; what influences and factors affect it in the various classes of corporations; the significance of changes in it; theories as to its size for different types of business; practical cases.

XXI. Capitalization—The vital relation between total capitalization of a corporation and the individual security issues; forebodings of good or ill in the capital structure; significance of the proportions between the amounts of bonds and stocks outstanding.

XXII. Equities—What it means for a corporation in the way of mutually favorable business associations where equities are held in other companies; what it means for the bondholder and stockholder; strategic advantages that arise from equities; what securities represent the equities.

XXIII. Factor of Safety—The meaning of this phrase in investment science; how the factor is calculated; by what standards it is to be measured; it is not an arbitrary value but a flexible quantity.

INVESTMENT CLASSIFICATION

XXIV. XXV. XXVI. Railroads of the United States—Assigning them to their relative investment position according to such considerations as character and diversity of traffic; capitalization; earnings; margin of safety for their securities; efficiency of operation; physical characteristics, etc.

XXVII. XXVIII. Industrial Corporations—Classifying them for their investment position by groups according to their particular type of business; capitalization, margin of safety, for their securities, variability of business and earnings, character of management, susceptibility to economic changes, etc.

XXIX. Reorganization — Conditions that lead up to it; methods pursued in accomplishing it both with and without receivership; a time of test for the relative position of various securities; what has happened to bondholders and stockholders in notable cases; position of the railroads and industrials now in process of reorganization.

XXX. Price Movements—Economic factors that go to make the price changes in the bond and stock markets; degree to which the same factors affects either security; special factors that cause changes in prices; the swings of bond prices; the swings of stock prices; when the investor should buy and when to sell.